Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$US1.25	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rlm4.25	Thailand	Bt50
Germany	DM2.30	Mexico	Pe300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,564 Wednesday June 15 1988 D 8523 A

Taiwanese struggle to reform democracy, Page 20

World News

White House chief resigns citing wife's illness

Mr Howard Baker, the White House of Chief of Staff who guided President Ronald Reagan through the turmoil of the Iran-Contra scandal and two superpower summits, announced his resignation.

Mr Baker cited his wife's illness as the main reason for leaving. He will be replaced by Mr Kenneth Duberstein, his deputy since March 1987. Page 4

Polish party reshuffle

Reformists have been named to top positions in a Polish Communist Party reshuffle. National Bank President Wladyslaw Baka became a Politburo member and Central Committee secretary and Politburo member Mieczyslaw Rakowski, a pragmatist with pro-reform tendencies, will become secretary of the Central Committee.

Japan aid to rise

Japan plans to raise its overseas development aid budget to more than $50bn in the next five years making it the world's largest supplier of assistance. Page 3

Setback for tobacco

The US tobacco industry faced its first defeat in a product liability lawsuit when the Federal court awarded $400,000 in damages to the husband of a woman – a heavy smoker – who died of lung cancer in 1984. Page 20

Dukakis on defence

Democratic presidential candidate Michael Dukakis said he opposed costly development of nuclear defence systems and would give priority to strengthening conventional defence systems. Page 4

Dublin to appeal

The Dublin Government said it would appeal against an Irish court's decision to free Patrick McVeigh, IRA terror suspect, and subject of a British extradition request. Page 7

Labour rift

UK Labour Party defence spokesman Denzil Davies resigned, attacking leader Neil Kinnock and deepening divisions in the party. Page 6

Ariane lift-off

The next phase in the evolution of Europe's space industry starts today with the lift-off of a new version of Ariane, the European satellite launcher. Page 2

Contras in US aid talks

Contra rebel leaders met US Administration officials to explore the future of stalled peace talks with Nicaragua's Sandinista Government and a possible renewal of US military aid.

Beirut truce

A truce agreed in Damascus between Palestinian factions halted two months of fighting in Beirut's refugee camps.

Spycatcher fever

The UK Government began final attempts to stop press reports on the revelations of former members of the security services saying that 10 people planned to write books about their own or relatives' work with security services. Page 8

Moscow apologises

Soviet Defence Minister Dmitri Yazov apologised to the US for the 1985 killing of US Army Major Arthur Nicholson by Soviet troops in East Germany, the Pentagon said.

Cross-border fire

Afghan and Pakistani troops exchanged rocket and artillery fire near a strategic border town, killing at least three Pakistani civilians and wounding 10, Pakistani officials said.

High and dry

Britain's airlines pledged a big summer crackdown on drunk and unruly passengers.

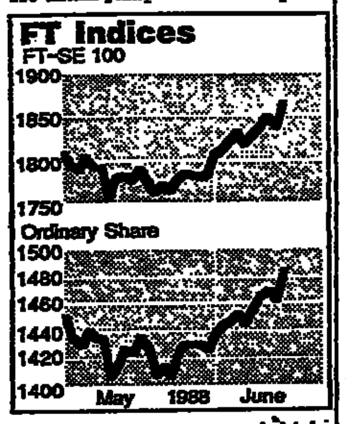
Business Summary

NY banks to meet again on merger talks

BANK OF NEW YORK and Irving Bank executives will meet in another attempt to bridge their differences but there are doubts on Wall Street that the meeting will result in an agreement to merge. Irving favours a deal to sell a majority of its stock to Banca Commerciale Italiana, second-largest Italian bank. Page 21

NOBEL INDUSTRIES, Swedish armaments and chemicals group, reported an 83 per cent increase in profits for the first four months. Page 22

LONDON: A quiet and cautious morning was transformed by the US trade figures and the FT-SE 100 index jumped from a 7 point



decline to a new post-crash high, putting on 27.4 points to 1,866.2. Turnover improved to 481m shares. Page 40

WALL STREET: The Dow Jones industrial average closed up 25.07 at 2,124.47. Page 44

TOKYO: A late buying surge held the Nikkei average above the 28,000 level after an earlier retreat as investors moved to the sidelines for the imminent release of the US April trade figures. The Nikkei closed 25.26 higher at 28,061.80. Page 44

DOLLAR closed in New York at DM1.7487, Y126.55, SFr1.4625 and FFr5.8950. It closed in London at DM1.7465 (DM1.7250); Y126.40 (Y125.15); SFr1.4625 (SFr1.4425); and FFr5.8900 (FFr5.8250). Page 33

STERLING closed in New York at $1.7860. It closed in London at $1.7850 ($1.8165); DM3.1175 (DM3.1325); Y225.50 (Y227.25); SFr2.6100 (SFr2.6200); and FFr10.5150 (FFr10.5825). Page 33

PHILIPS, Dutch electronics group, is buying out Du Pont's 50 per cent interest in PD Magnetics, the two companies' financially-troubled joint venture in magnetic tape for audio and video electronic products. Page 21

MITSUBISHI CORPORATION, large Japanese trading house, achieved a 13.4 per cent revival in consolidated net profits for the year to March. Page 22

DEUTSCHE ESSO, part of the Exxon US oil group, said 1987 net profits dropped to DM62.5m ($36.3m) from DM268.9m in 1986. Page 21

DANIEL GOEUDEVERT, chairman of Ford-Werke, West German arm of Ford Motor of the US, added his voice to the growing volume of complaints from German industry about the rising cost base and labour inflexibility. Page 23

WEST GERMANY'S stock exchanges will officially start publishing a new stock index of the 30 most heavily traded issues on July 1. Page 24

ITALY'S third rescue plan in seven years for its public steel industry was approved by ministers. Page 2

SCHINDLER, Swiss lift maker, is to acquire a majority shareholding in Also Holding, supplier of personal computer systems which last year had sales of SFr185m ($128.5m). Page 23

VDO ADOLF Schindling, West German maker of instrumentation and control systems for vehicles, aircraft and industry, nearly doubled group profits last year, the chairman, said. Page 21

Paris bourse chiefs resign over reserve fund trading losses

BY GEORGE GRAHAM IN PARIS

THE CHAIRMAN and chief executive of the Paris bourse resigned in tandem yesterday, forced out of office by the revelation of FFr500m ($86m) of trading losses on the exchange's reserve funds.

The new chairman, Mr Regis Rousselle, announced immediately that the stock exchange would raise FFr1bn of fresh capital in order to top up its guarantee fund, which is used to indemnify clients in the event of a member firm's collapse and has been significantly weakened by the trading loss. This would take its total capital and reserves to FFr2.05bn.

The outgoing chairman is Mr Xavier Dupont. The new chief executive is Mr Gerard de la Martiniere, currently head of the Matif financial futures market, who replaces Mr Philippe de Cosserat.

The scandal, latest in a long list of mishaps which in recent months have nibbled away at the credibility of the bourse, is expected to accelerate the process of change in the Paris stock market, which has already transformed its trading techniques over the past three years.

"This will accelerate the process which has begun already of developing new rules shaped to deal with new market realities, among which, of course, are prudential ratios for each individual firm," said Mr Milan Spierenburg of Warburg in Paris.

Just how the bourse authorities planned to top up the reserve fund remained unclear yesterday, but half of the levy is to be through a capital increase "guaranteed by the principal financial institutions" of Paris, and half through a levy on stock exchange firms.

The levy is expected to pose

Xavier Dupont, who resigned yesterday as chairman of the Paris bourse

severe problems for smaller firms which have not formed alliances with banks or external financial institutions, as is now permitted under last year's stock exchange reform law. Some firms are already considering merging or seeking new shareholders.

Some bankers yesterday questioned the utility of the guarantee fund, however, now that major French or international banks stand behind most of the large broking firms. They feel that rather than relying on the traditional "market solidarity," the exchange needs to introduce more direct monitoring of individual firms' capital adequacy.

It was on the Matif and on options based on the Matif's long bond contract that most of the losses were recorded by the exchange's reserve fund. The exchange has said they resulted from an employee increasing his exposure in November and December last year, after the October stock market crash, in an attempt to turn round a compromised position. Persistent reports in Paris suggest the losses may have begun much earlier.

But many stockbrokers in Paris were still not satisfied last night that the full extent of the damage had been revealed.

Some brokers believe the guarantee fund may also have been called on to indemnify clients in the wake of the scandals earlier this year surrounding the Buisson and Bandoin broking firms, one of which was banned from the Matif and the other put into bankruptcy.

Observer, Page 18; Tensions bubble to surface, Page 24

Mitterrand calls on Rocard to assemble new government

BY PAUL BETTS IN PARIS

PRESIDENT François Mitterrand is to ask Mr Michel Rocard, the Socialist Prime Minister, to form a new government when the new session of the French National Assembly opens next week.

Mr Rocard had formally submitted his government's resignation yesterday in the wake of the Socialists' failure to win an absolute majority in Sunday's second round of voting in the general election. After initially asking Mr Rocard to stay on until the opening of parliament on June 23, Mr Mitterrand said last night that he wanted the Prime Minister to form a minority government after the new assembly convened.

In his first address since the second round of the French general elections, Mr Mitterrand said last night that he had a "strong and coherent" majority in parliament, though he would have preferred an absolute majority. He said that his relative majority of 276 seats was sufficient for "the government to govern." An absolute majority would require 289 seats.

Mr Mitterrand argued that several other countries, such as West Germany, Sweden and the Netherlands, had been governed in similar circumstances with a relative majorities in parliament. He defended his decision to dissolve parliament, immediately after his re-election as president last month, on the grounds that the former right-wing majority had made clear they would block the policies on which he had won the presidential election.

These policies were contained in the letter he addressed to all French citizens. Last night he reiterated the guiding principles of his letter, designed to promote European integration and France's role in Europe as well as giving priority to education and investment in France.

He said he had urged Mr Rocard to put together his policies and projects and present them before parliament each time a law was necessary. "We will then see who is and who is not prepared to accept our stretched hand," he said in an evident reference to his overtures to the centre.

He made two direct references to his policy of making overtures and echoed the words last Sunday of Mr Raymond Barre, the former right-wing prime minister, when he said France needed a coherent majority to defend the country's republican and democratic values.

However, the President used his address to attack the right for its attitude during the election towards the National Front and its failure to condemn in clear terms the front's racist policies.

With his seven minute address last night, Mr Mitterrand wasted little time trying to regain the political initiative after failing to win a clear majority on Sunday. His decision to reconfirm Mr Rocard as Prime Minister of the new government also came sooner than expected, although most political observers had forecast that Mr Rocard would be reconfirmed in his position.

Centrist party seeks independence, Page 2

Moscow buys time in Armenia

BY QUENTIN PEEL IN MOSCOW

SOVIET authorities yesterday appeared to have won a brief respite in the bitter territorial dispute between the southern republics of Armenia and Azerbaijan, but only at the expense of fuelling longer-term nationalist aspirations.

New Communist Party leaders in the rival republics, installed barely three weeks ago at Moscow's command, were forced to take opposing positions when they faced demonstrators on the streets of their capitals, although both issued an urgent appeal for calm.

In Yerevan, the capital of Armenia where an estimated 100,000 people paraded on Monday calling for the reunification of the mountain enclave of Nagorno-Karabakh with the republic, Mr Suren Arutunyan succeeded in having a two-day general strike called off 24 hours early by promising that the Armenian Supreme Soviet would vote in favour during the debate starting today.

In Baku, the Azerbaijani capital, however, Mr Abdul Vezirov, his counterpart as Communist Party first secretary, told some 10,000 demonstrators that his republic would not give up the enclave, the local radio reported.

The praesidium of the Azerbaijan Supreme Soviet also rejected the demand by the Armenian majority population in Nagorno-Karabakh as unacceptable, and "contrary to the interests of the Azerbaijani and Armenian population of the republic."

There has been no recent information on the situation in the enclave, which has been incorporated in Moslem-dominated Azerbaijan since 1923, although 75 per cent of its 184,000 population are ethnic Armenians and mostly Christian.

Last week, the Communist party newspaper Pravda carried the only report so far published in the Soviet media, which said that a three-week strike had paralysed the economy, forced food

Continued on Page 20

G7 likely to augment list of economic indicators

By Philip Stephens in London

THE GROUP of Seven industrial nations expects to agree at next week's Toronto summit on the addition of two indices of commodity prices to the economic performance indicators they use as the basis for policy co-ordination.

A decision on the commodity price indicators, which include a relatively small weight for gold, would represent one of the few firm conclusions expected from the economic discussions at the summit.

Another is expected to be an accord on a Canadian proposal to establish a "menu of options" from which Western creditor governments could choose in extending debt relief to the poorest countries of sub-Saharan Africa.

On wider economic and trade issues, the seven plan simply to reaffirm the policy co-ordination pledges and the commitment to stable exchange rates agreed last month at the Organisation for Economic Co-operation and Development (OECD).

The generally upbeat mood of their assessment will be reinforced by yesterday's announcement of a further narrowing of the US trade deficit in April.

Both the US and Canada will push for a firmer commitment to the dismantling of agricultural subsidies and to accelerated progress in the current Uruguay round of international trade talks, but they are far from confident of any breakthrough.

Senior officials preparing the summit said they have reached broad agreement on the composition of the commodity indices. The idea was advocated last year by Mr James Baker, the US Treasury Secretary, to provide an advance guide to inflationary trends in the world economy.

Assuming the proposal is ratified at the summit, the indices will be added to the national economic indicators – ranging from growth and inflation to trade balances – which are already used for policy co-ordination.

The officials have opted for more than one index because of the technical difficulties of including oil. Its importance in overall western consumption of the main commodities means that oil is given a weight of about 50 per cent in one of the indices.

The oil price, however, is also notoriously volatile and may be subject as much to the politics of the Organisation of Petroleum Exporting Countries (Opec) cartel as to fundamental economic trends, so the seven have

Continued on Page 20

Improved US trade sends dollar higher

BY ANTHONY HARRIS IN WASHINGTON, JANET BUSH IN NEW YORK AND SIMON HOLBERTON IN LONDON

THE DOLLAR and world financial markets yesterday rallied strongly after the US Commerce Department said the US trade deficit narrowed to $9.9bn in April from $11.7bn in March.

The figures, which were seasonally adjusted, were much better than market forecasts which had predicted a $12bn trade shortfall for April.

On European and North American foreign exchanges, the dollar rose sharply despite the reported intervention by the Bundesbank, the West German central bank, to stem the US currency's rise against the D-Mark.

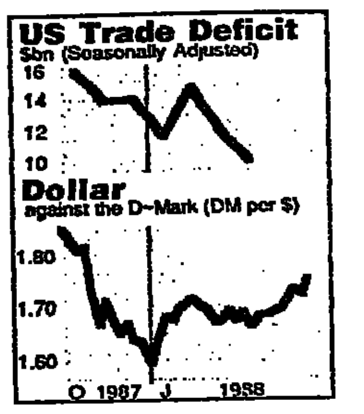
In Europe, the dollar closed 2 pfennigs higher at DM1.7465, more than a yen higher at Y126.40 and closed more than 2 cents stronger against sterling at $1.7850. In New York, at midsession the dollar was climbing against major currencies. It closed at Y126.55, up from Y124.90 earlier, and at DM1.7487 compared with the day's low of DM1.7225.

The lower trade deficit for April reflected a slow-down in consumer imports, and an explosive growth of exports. Exports and imports were in fact sharply down, even on a seasonally adjusted basis, from the high March figures, by 2.4 and 6.5 per cent respectively; all the main US statistics for these two months have been distorted by the early Easter this year.

When the figures are smoothed to allow for this, however, they show that exports in the past three months are 29.5 per cent higher than in the same period last year, while imports have risen by 13 per cent. Over the past half year the trends have widened further: exports have been rising at an annual rate of more than 43 per cent, while import growth has slowed to an annual rate of just under 8 per cent.

In a briefing on the figures Mr Robert Ortner, the US Commerce Undersecretary, said that the Government expected further improvements in the nominal trade balance following the "very encouraging" April figure.

He said that the volume trends were even stronger than those shown by the nominal balance. Export prices had risen by about 5 per cent in the past year, so that the export volume gain in the first four months of the year was 25 per cent over the same period in 1987. Import prices, however, were 7 per cent up, so that the volume increase was less than 4½ per cent.



The main bilateral improvements, he said, were in trade with Europe, where the US deficit was down to $1.6bn compared with $8.5bn in 1987, and with Japan, where the deficit was cut from $19.3bn to $17.5bn.

While the April figure represents no change in the trends of exports and imports for the past six months, most Wall Street analysts have regarded these trends as too good to last. The drop in April imports was regarded as especially surprising.

Export demand, however, is still reported to be rising.

Share and bond prices also rose strongly in New York and London with investors encouraged by the strength of the dollar and the favourable pattern of imports and exports displayed in the April figures.

The FT-SE 100 Share Index closed up 27.4 points at 1,866.2, its highest closing level since March 18 and its best since Thursday, October 22 last year. The FT Ordinary Share Index closed up 21.4 at 1,482.7.

On the New York Stock Exchange, the Dow Jones Industrial Average jumped to a new post-October crash peak after days of struggling to surpass the previous high of 2,110.08 on April 12. At midsession, the Dow was quoted 33.25 points higher at 2,132.64 after a morning of lively business but eased later to close 25.07 up at 2,124.47. By midsession, more than 148m shares had changed hands, substantially more than the whole of Monday's session.

US Treasury bonds jumped by nearly two full points in early trading as the market's fears of inflation were eased. UK gilt-edged securities followed the Treasury market up and ended more than a point higher.

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FALLOUT FROM BOMBSHELL RESIGNATION HITS THE UK LABOUR PARTY

Opposition leader Neil Kinnock could be hurt by his defence spokesman's move, Page 19

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Italian ministers finally approve steel rescue plan

BY JOHN WYLES IN ROME

ITALY'S third rescue plan in seven years for its public steel industry was finally approved by ministers yesterday.

Months of delay have tested the patience of the European Community, the country's private steelmakers and Italian trade unions harassed by the prospect of more than 20,000 redundancies.

The final proposal seeks to win EC approval for a further cash injection of around L7,100bn by offering to reduce capacity by 1.2m tonnes.

The Government also aims to win union acquiescence in job cuts by a plan for the re-industrialisation of areas affected by closures together with a partial reprieve for the Bagnoli plant in Naples.

Mr Carlo Francanzani, the Italian Minister for State Participation, will deliver the finished document to the European Commission in Brussels today.

Mr Francanzani's Brussels mission seeks to recruit the Commission's support in advance of next week's meeting of EC steel ministers, who must finally pronounce on the acceptability of a fresh injection of funds to recapitalise the reorganised state company, Finsider, henceforth to be known as Ilva.

Finsider lost L1,800bn last year, is now losing about L5bn a day, and has debts of more than L10,000bn.

To a considerable extent the government proposal, final details of which were not available last night, is a basis for negotiation on three fronts rather than a definitive document.

It will be surprising if the Commission and other member governments accept every last dot and comma and the unions are pressing for stronger guarantees on new jobs and on the future of Bagnoli.

The new state steel company will be based on five main plants, largely specialising in flat products, at Taranto, Nove Ligure, Piombino, Terni and Dalmine. Plants at Campi, two at Turin, one at Sesto San Giovanni and a mill producing round products at Terni will be closed by 1990.

The plan envisages a public sector withdrawal from making merchant plate products through the transfer to the private sector of plants at Marghera, San Giovanni Valdarno and Sisma.

The news for Bagnoli, which is the centre of a very determined union campaign, is both good and bad. Its steel melting section is set for closure in July 1989 – although the document approved yesterday suggests that even this could be averted – but its rolling mill has been reprieved. Around 1,800 out of 3,500 jobs should thus be saved.

The plan aims to pass about 6,700 jobs to the private sector and to cut 20,100 jobs out of a total employment of 70,000 through early retirement and redundancies.

In return, it promises to substitute 17,000 jobs in the areas affected through a variety of initiatives – some of which the unions' campaign have long been in the pipeline – including the creation of a special reindustrialisation fund to be administered by Iri, the state holding company.

Great benefits ride on the free flow of EC money

David Buchan and Tim Dickson assess the impact of the capital liberalisation directive

THE EUROPEAN Community's *newly-adopted capital liberalisation directive* is not only a vital precondition to the success of current proposals to deregulate financial services, but could also accelerate new policies in tax and currency areas.

It will "enable our financial services to catch up with New York and Tokyo", says Mr Jacques Delors, the European Commission President, who has special responsibility for economic and monetary affairs.

Mr Gerhard Stoltenberg, the West German Finance Minister, calls it "a milestone of great importance on the way to completion of the internal market". He has had the rare satisfaction of seeing Finance Council consideration of this measure (tabled by the Commission only last autumn) start, and finish, during his six-month stint in the chair.

This euphoria is grounded in the fact that progressive removal of all remaining obstacles to the free flow of money in the EC is vital to other pending measures to allow banks and insurance companies to provide financial services freely across national boundaries.

The cross-border writing of non-life insurance business is virtually agreed, and a similar freedom for banks is now being considered by the Council. The most common remaining control on capital is restrictions (by France and Italy as well as the Community's poorer members) on their citizens opening bank accounts abroad and on their banks lending to foreigners or in foreign exchange.

These restrictions need to (and under this week's directive will) be lifted if financial service deregulation is to mean anything.

All studies of the EC internal market programme conclude that many, or most, of the potential benefits will derive from the financial sector, which, over the past 30 years, has received far less attention from Europe's political architects than industry or agriculture. But, equally, the whole European economy should gain from a freer, and thus better, allocation of Europe's savings, as Mr Delors stressed.

Europe's financial services should be better able to draw on the pooled resources of its 320m citizens, and to compete in the world market. The scrapping of controls applies equally to money flows with the rest of the world, given the technical impossibility of distinguishing between those inside and outside the Community and the West German insistence that the EC not be seen as a financial closed shop.

The timetable requires all member states to lift capital curbs by July 1 1990, except the four poorest countries, which can delay action until 1992 (and in the case of Greece and Portugal possibly until 1995).

Two safety nets are the permission for any country to re-impose controls in a currency crisis (but with required subsequent approval by the Commission and a review of this safeguard clause in 1992), and a newly consolidated Community loan mechanism of Ecu16bn (£10.5bn) for countries in balance of payments difficulties.

However, there is a possible sting in the tail for countries like Britain, which, at least in the monetary and fiscal fields, wants maximum liberalisation with minimum harmonisation.

Two countries, France and Denmark, nearly blocked this week's agreement with their worries about increased tax evasion. The Danes won permission to keep requiring their banks to report their tax authorities, provided this does not "impede capital movements".

But the French got something potentially more far-reaching – a Commission commitment to come up this year with proposals "for the removal or reduction of the risks of distortions, tax avoidance and evasion" arising from differing national tax regimes on savings and portfolio investments, and a Council commitment to act on this by mid-1989.

Britain does not share French anxiety about this problem, and certainly does not want any attempt to solve it by harmonising capital taxes, any more than it wants indirect VAT taxes harmonised. Mr Nigel Lawson, the UK Chancellor of the Exchequer, reminded everyone that London had a veto on tax issues, which require Council unanimity.

Mr Lawson was equally resistant to a call for all currencies, including sterling, to join fully in the European Monetary System by 1992. In the end he put his signature to a declaration calling for "an increasingly higher degree of exchange rate stability" between EC states. It was, he said somewhat dismissively, the sort of thing he often signed at Group of Seven meetings.

But capital flow liberalisation looks likely to step up pressure on Britain to join the EMS. That pressure may come as early as the Hanover summit in two weeks. The West German presidency of the EC Council has been vague about the summit agenda, but has said "monetary co-operation" will figure high.

George Graham adds from Paris: Mr Pierre Beregovoy, the French Finance Minister, declared his satisfaction with the agreement on the liberalisation of capital movements, but the result was viewed here yesterday as only partly meeting France's demands for a parallel move to harmonise the taxation of savings.

Although the finance ministers' meeting on Monday set down a calendar for discussing tax harmonisation, the EC still seems to be a long way from agreeing on the measures which need to be taken.

Bankers have estimated that FFr150bn-FFr200bn could leave France after the complete freeing of capital movements, as a result of heavy specific taxes on various savings and insurance products and the ban on interest payments on current accounts.

Spanish Government reimposes curbs on short-term capital inflows

THE SPANISH Government, concerned by the strength of the peseta and by the inflow of short-term loans and "hot money", has reintroduced controls on the entry of short-term foreign capital, writes Tom Burns in Madrid.

In a significant modification of its capital movements liberalisation policy, the Government has raised from one to three years the minimum period of foreign currency borrowing not subject to authorisation.

In March last year a Bank of Spain directive liberalised all foreign currency credits to the private sector with a minimum of one year's maturity and of less than Pta 1.5bn (£7.2m). The move has had the effect of fuelling the peseta and unduly increasing the short-term borrowing by Spanish companies.

The bank said yesterday that following the liberalisation directive there had been intensive use of the foreign financing mechanism. Nearly 60 per cent of the foreign credit operations during the past year had a one-year life span.

Spanish companies have clearly been attracted by the mechanism, in part because of the punitive domestic interest rates, which were running at a 19 per cent high in May last year before descending to 13 per cent in December. Companies have also been enticed by the prospect of additional profit margins through the appreciation of the peseta.

The return to controls comes also in the wake of evidence that hot money inflows to Spain are once more in vogue. An inflow jump of $2bn in January, which brought Spain international reserves up to $32bn, prompted a call by monetary authorities on domestic banks not to borrow foreign funds.

The appeal appears to have had some effect in stemming the inflow. Reserves stood at an estimated $35m at the end of May but in the first 10 days of this month economists reckon a further $700m has entered Spain attracted by interest rates that remain high at 11 per cent.

Ozal rules out Cyprus pull-back

By Andriana Ierodiaconou in Athens

TURKEY'S Prime Minister, Mr Turgut Ozal, yesterday ruled out a partial withdrawal of Turkish occupation troops from Cyprus before a comprehensive federal settlement for the divided island.

"We would like a solution to the Cyprus problem, but it has to be a whole one, not partial," Mr Ozal said on the second day of his visit to Greece, the first by a Turkish Premier since 1952.

The Greek side devoted the first day of talks on Monday to raising Cyprus and stressing that the ending of the Turkish military presence there is the key to the consolidation of the rapprochement launched last January in Davos.

The Turkish Premier, however, took pains yesterday to exclude Cyprus from the list of key Greco-Turkish problems. He stressed that the Davos process must first concentrate on confidence-building measures, such as economic co-operation.

Ministers clear the decks for EC summit

BY DAVID BUCHAN IN LUXEMBOURG

THE FORTHCOMING European summit at Hanover is expected to focus on long-range European Community policies, after EC foreign ministers yesterday resolved a complex package of Community house-keeping problems.

The problems stemmed from the broad agreements reached by EC heads of government at their last summit, in Brussels in February, and it was feared that the untied ends of the Brussels reform package might dominate the Hanover conclave.

Ministers yesterday agreed on regulations putting into effect the reforms governing farm spending, structural economic assistance to poorer countries and regions, and a new assessment of member states' contributions to the EC budget over the next five years and of how they contribute to the special budget rebate granted the UK.

The last two reforms, which move contributions more on to the basis of gross national product (as a better measure than value added tax receipts of a country's relative wealth), must be ratified by national legislatures of the 12. All need approval from the European Parliament, which is expected this week.

Declaring that "success breeds success", Mr Jacques Delors, the Commission President, yesterday cited the Council of Ministers' success "in 48 hours" in approving capital liberalisation, wrapping up the summit reforms and agreeing a new "inter-institutional agreement" with the Parliament.

This last agreement should "avoid many of the disputes and squabbles of the past" between the Council and Parliament, Mr Delors said. It delineated the scope for council and parliamentary bargaining each year within the overall budget guidelines set for 1988-92. In doing so, it introduced a badly needed element of multi-year planning.

With the budgetary undergrowth cleared in time for the Hanover summit, Mr Delors hoped that the next summit could "return to its original purpose – a strategy-setting fireside chat, rather acting as a court of appeal having to deal with dossiers that ordinary councils of ministers could not resolve." He and Mr Hans-Dietrich Genscher, the West German Foreign Minister, confirmed that strengthening of EC monetary co-operation would figure high on the agenda.

Much of the wrangling in recent months has focused on the precise guidelines for spending the so-called structural funds, due to rise from Ecu7bn this year to Ecu13bn in 1992.

The main protagonists have been the four poorer countries (Spain, Greece, Ireland and Portugal) plus Britain. The UK yesterday pronounced itself satisfied that Northern Ireland, the Highlands and Islands of Scotland, rural Wales and parts of Devon and Cornwall would continue to receive regional aid. Provision has also been made for aid to areas of industrial decline, of which the UK has probably more than any other member state.

East bloc presses for EC links

By Tim Dickson in Brussels

THE SPEED with which the European Community and Eastern bloc countries are developing closer economic and political ties was underlined in Brussels yesterday when it emerged that Czechoslovakia and Bulgaria had asked the EC to establish diplomatic relations.

The move follows last week's announcement that the Soviet Union and East Germany had put in requests for the accreditation of an ambassador.

These moves, together with the signing later this month of a formal recognition pact between the EC and Comecon, the Soviet bloc trade organisation, confirm the thaw between the two camps.

Yesterday's development also comes hard on the heels of Monday's agreement by Foreign Ministers that the EC would offer to lift the quotas on Hungary's exports to the Community by the end of 1995.

● Austria has told its five partners in the European Free Trade Association that if it decided to make a formal application to join the European Community, it would do so in the second half of next year, Robert Taylor reports from Tampere, Finland.

The message was conveyed by Mr Robert Graf, Austria's Trade Minister, to an Efta meeting in Finland at which relations with the EC are the main topic.

New broom sweeps through Soviet science

BY QUENTIN PEEL IN MOSCOW

THE SOVIET Academy of Sciences, the huge institution responsible for overseeing the whole range of Soviet scientific endeavour, has taken a big step towards the rejuvenation of its ranks with the sudden retirement of more than a third of its ruling praesidium.

The 16 departing academicians, all but one of them aged over 75, have been politely but firmly kicked upstairs to what Soviet observers are already calling a "paradise group" of special advisers, retaining all their privileges, but none of their sweeping powers of patronage.

The move is the most dramatic yet in a wholesale process of reforming the academy and its institutes and departments, in an effort to bring in younger scientists to management positions; streamline the top-heavy administration, and revitalise the link between scientific research and Soviet industry.

It coincides with a big effort to promote the social sciences to provide some backing for Mr Mikhail Gorbachev's political and economic reforms, with the active encouragement of more critical economists and sociologists.

The 16 are likely to be merely the first wave of a steady weeding out of long-serving scientists and administrators.

Announcing their decision last week to "submit applications to be relieved of their duties", Mr Lev Semyonov, the academy's head of personnel, said there were 20 more directors and three deputy directors of academic institutes, and 160 heads of subdivisions "of an advanced age".

The praesidium members were anyway due to come up for re-election in 1990, but the move suggests that Dr Gurly Marchuk, elected president of the academy 18 months ago, decided he could not wait for the normal procedures.

"Rumours have been around that 75 was going to be the age limit for members of the praesidium, but nobody expected it to come so rapidly," one western observer said.

Two of those retiring were Dr Marchuk's predecessors under the old regime: 85-year-old Anatoly Alexandrov, the immediate past president, and Academician Vladimir Kirillin, who preceded him in his previous job as chairman of the state committee on science and technology.

Ariane due to lift off into a new dimension today

BY PETER MARSH

THE NEXT phase in the evolution of Europe's space industry should start today with the lift-off in South America of a new version of Ariane, the European satellite launcher.

Ariane-4, the latest generation in a family of vehicles which started flights in 1979, differs mainly in having a series of extra boosters fitted around its base.

These can be added in several combinations, enabling Ariane-4 to lift into the geostationary orbit used by communications satellites a total of 4.2 tonnes, 60 per cent more than the previous generation of the vehicle.

This is reflected in the payload for today's flight, which consists of a satellite owned by Pan American Satellite, a US company which plans a transatlantic communications service, a weather satellite owned by the European Space Agency and a small communications vehicle for use by radio hams.

Analysts think the flexibility provided by having a choice of booster combinations for Ariane-4 will mean Arianespace can fit into its schedule a wide variety of satellite types, a factor that may help in marketing.

In spite of the extra power of the new version of the rocket, the price the company charges customers is expected to stay roughly the same as for the current generation of Ariane. For launches in the early 1990s, Arianespace is charging roughly $50m (£27m) to put into space a standard 1.2 tonne satellite.

Arianespace aims to conduct some eight flights annually and has an order book worth $2.5bn involving the launch of more than 40 satellites.

The $2bn or so spent developing the different versions of the Ariane has come from European governments, under the auspices of the 13-nation ESA. France has put up 60 per cent of the cash. Operation of the vehicles is, however, in the hands of Arianespace.

Arianespace, which was set up in 1980 and is based in Evry, near Paris, has built up a track record which should put it in a good position in the international launcher market in the 1990s, according to Mr Rodney Buckland, a UK space consultant.

According to a recent survey from Euroconsult, a Paris-based consultancy, demand for satellite launches during the 1990s is likely to average about 10 a year, roughly half the number predicted a few years ago.

West Germans step up foreign investment

By Andrew Fisher in Frankfurt

WEST GERMANS have invested heavily in foreign securities this year, reversing the flow of investment funds into the country and bringing about a large deficit on the long-term capital account, latest Bundesbank figures show. They sank a net DM7.3bn (£2.3bn) into foreign securities in April, compared with DM9bn in March, when DM5bn went into foreign currency bonds.

The long-term capital account showed a deficit of DM24bn in the first quarter compared with a DM17bn surplus in the same period of 1987. In March, long-term net capital outflows totalled DM11.5bn, against net inflows of DM2.4bn in the same month of last year. The April deficit was DM6.3bn.

The surplus on the current account dropped to a seasonally adjusted DM15bn in the first quarter from DM17.5bn in the final quarter of last year. On an unadjusted basis, the deficit on invisibles, including payments to the EC, foreign workers' remittances abroad, and high spending on foreign travel, was DM10bn, thus offsetting some 40 per cent of the foreign trade surplus.

● A long-running moral skirmish over the role of Daimler-Benz in Hitler's war effort has ended with the motor group agreeing to pay DM20m in compensation for ill-treating forced labourers under the Nazi regime.

Daimler will pay DM10m to the US-based Conference on Jewish Material Claims against Germany and DM10m to the Red Cross.

French centrist party to seek independent status

BY IAN DAVIDSON IN PARIS

PRESIDENT François Mitterrand's stated wish to make an opening to the centre appeared to come a step closer to fulfilment yesterday when the CDS centrist party indicated that it would seek the status of an independent political group in the National Assembly.

Though the formation of an independent CDS party grouping in the National Assembly is a first step which could make possible a rapprochement between the centrists and the Socialists, it does not appear that such an development is likely to happen at all quickly.

Yesterday Mr Jacques Barrot, secretary-general of the CDS, said the party would remain inside the framework of the UDF grouping and in "alliance" with the neo-Gaullist RPR party. On Monday night the president of the CDS, Mr Pierre Mehaignerie, endorsed the line that there was no question of leaving the UDF, but he also left open the possibility of a "government of national unity" at some future date.

Mr François Leotard, leader of the Republican Party, the other main component in the UDF, immediately gave a warning against any negotiations with the Socialists, and urged closer links with the RPR neo-Gaullist party.

On the centre-right, particular attention is now focusing on the increasingly open ambitions of former president Valéry Giscard d'Estaing to seek the leadership of the UDF.

Mr Giscard d'Estaing's aim is to ensure that the UDF remains united and linked to the RPR in "constructive opposition" to President Mitterrand, whereas the aim of former Prime Minister Mr Raymond Barre is to promote the increasing independence of an autonomous group in the centre, in order to establish a more constructive relationship with the Socialist Government.

Bulgaria turns a blind eye to book fair entrepreneurs

BY JUDY DEMPSEY, RECENTLY IN SOFIA

THE 18th international book fair, one of the great highlights for thousands of Bulgarians, ended in Sofia last week. It was rated a great success, although few people had the chance to buy any of the books on display.

The fair, officially called "The Book – in the Service of Peace and Progress," takes place every two years and gives publishers from all over the world the chance to show their wares to a society with an insatiable appetite for the printed word, especially if it is Western.

The only problem is that Bulgarians cannot buy any of the books with their own unit of currency, the leva.

Western publishers normally insist on payment in hard currency. For them, the leva, like all the other East European currencies, is almost worthless since it is not convertible. And since few Bulgarians have access to such hard currency, their only hope is that some of the books they want will eventually find their way to the local library or institute.

"We all have tight budgets in the institutes," said Andrei, a young economist. "The hard currency budgets are now being more and more earmarked for *computers or new technology.*

Even if Western publishers agreed to some form of barter deal (which would probably mean buying huge quantities of the works of President Todor Zhivkov, the country's leader) the prices of many Western books are still too high for most Bulgarians.

What then can the hapless Bulgarian do about the situation?

Stanko, an elderly mathematician who spent the four days of the fair browsing through the scores of bookshelves, came up with one solution.

Crouched in the corner behind one of the many West German bookstands, Stanko took matters into his own hands: he started taking photographs of several chapters of a book which he said was essential for his work.

"Look, even if I could buy this book in Bulgaria, and for leva, it would cost about 100 leva in the shops here. That is a third of a month's salary. I haven't got that sort of money. So I am simply photographing the chapters from this German publication which I need."

Stanko was not even bothered about the law on copyright. "I give the author a mention in my article if my work ever gets published," he said.

As Stanko snapped away, equipped with flash, the West German publisher turned a blind eye. Even the local security militia, who were in evidence, did not interrupt him.

Any suggestion that Stanko could photocopy the book was out of the question.

"A photographing machine? You must be mad. Where will we get one here? Ordinary Bulgarians just can't walk into a shop and get something photocopied. These machines are precious items which are only found in the institutes and in official places. And anyway, I would have to get permission to do it at my place of work."

Other Western publishers at the fair recognised the problems facing both Bulgarian intellectuals and the general public.

The lady at the British Council stand did not seem unduly concerned if some of her books disappeared during the fair.

"I know that the staff here or some of their friends tidy up the exhibition hall in the evenings. And well, some of the books do not get put back on the stands. I suppose they get mislaid or get taken out by mistake," she said in a tone of voice which clearly revealed long experience of countries which do not have easy access to Western publications.

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"Anyway, it doesn't really bother me. These books are getting read and being circulated privately. That is really important," she added.

Before all the books "disappear" however, Hemus, the Bulgarian foreign trade organisation which co-operates with the book fair, buys them all for hard currency and then sells them, for leva, to the institutes and libraries. But as one seasoned book fair connoisseur commented: "I bet there's a real pecking order in Hemus as to which institutes will get the new books."

Meanwhile, as publishers were preparing to go home, the organisers of the Soviet bookstand were pleased with the local interest and turn-out.

The Soviet stand was packed with every imaginable book related to *glasnost* (openness) and *perestroika* (restructuring). It was also stocked with new Soviet fiction, history of the theatre and cinema and recently-published post-war Soviet history.

The response was not as great, however, for the East German or Romanian stands, where many books by Mr Erich Honecker, the East German leader, and Mr Nicolae Ceausescu, the Romanian party leader, were prominently displayed.

The 70,000-or-so Bulgarians who each paid their one leva to enter the fair, had all walked straight past the display.

Opposition Labour Party stands ready as Dutch coalition papers over cracks

BY LAURA RAUN IN AMSTERDAM

DUTCH politicians rarely resort to expressions like "political vandalism" and "slander". So when Mr Ruud Lubbers, the normally cool Prime Minister, used those words last week, it was taken as a sign of the most serious political crisis in the six years of his administration.

Since then, his Christian Democratic party and its Liberal coalition partners have papered over their differences, heading off the prospect of *an imminent* divorce. But some observers doubt whether the tired coalition, halfway through a second term, can last until 1990, when elections are due.

Eagerly waiting in the wings is the Labour Party, which has been in opposition for 10 of the past 11 years. The Socialists, by adopting a more pragmatic image, are casting themselves as a potential governing partner with either the Christian Democrats or Liberals.

The centrist Christian Democrats and the right-of-centre Liberals have good reasons for wanting to soldier on for another two years.

Mr Lubbers would like to preserve his reputation as a master of compromise and as a figure who stands above the fray. The Liberals badly want to cut taxes before leaving office.

Nevertheless it could be a long, hot summer in Dutch politics, dominated by a plethora of issues that divide the coalition partners.

Tomorrow they will continue a battle over health care reform when Parliament again debates a proposed national health insurance scheme. The Christian Democrats want lower insurance premiums more dependent on income, while the Liberals want higher ones less dependent on income.

In coming months, tax reform must be addressed. The Liberals favour deeper tax cuts than the Christian Democrats want.

Another divisive issue is the 1989 budget, which must be ready by September. Mr Lubbers, the architect of economic austerity, has allegedly suggested smaller cuts in public spending in a memorandum that is so secret it has been snidely dubbed the "non-paper".

The cabinet itself is also under attack. Yesterday Parliament voted to launch an official inquiry into whether the Foreign Minister is responsible for an embarrassing delay in producing a European Community passport.

It was the Prime Minister who precipitated last week's crisis by attacking the Liberals. Usually a resilient politician, he exploded in anger over what was perceived *as an attack* by the coalition partner on his political integrity.

The Liberals had suggested that Mr Lubbers had favoured his Christian Democrats by leaking information to them over government plans to scrap an important investment-subsidy scheme.

Beyond that, Mr Lubbers apparently felt he had to reassert his personal authority over increasing chaos in the Cabinet.

The Christian Democrats, a perennial swing party that has participated in every post-war government, are deeply divided among themselves. Fiscal hardliners want to continue economic austerity, and social activists, headed by parliamentary leader Bert de Vries, want to preserve the welfare state.

This debate is essential to the question of whether the Netherlands will become a "social paradise" for the less fortunate in the EC when barriers crumble in 1992. The Dutch welfare system is so much more generous than most others that either it must be scaled back, or others must improve welfare, if the disparity is to be erased.

Regardless of how long the current coalition survives, one thing is clear. Mr Lubbers says he intends to stay on the Dutch political scene, probably leading his party into the next round of elections. Thus rumours that he aspires to move to Brussels, perhaps as president of the European Commission, have momentarily been laid to rest.

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OVERSEAS NEWS

Japan to double overseas aid in next five years

BY IAN RODGER IN TOKYO

THE Japanese Government plans *to raise its overseas development* assistance spending to more than $50bn (£27.5bn) over five years, beginning this year, double the rate of the previous five years.

If the new medium-term target, which was approved by the Cabinet yesterday, is achieved, it will make Japan the world's largest supplier of aid, surpassing the US, which is now spending about $9bn per year.

However, as the new *target* is set in dollar terms, it will not put any onerous additional financial burden on the Japanese treasury – unless, of course, the yen weakens considerably in the next few years.

The Cabinet rejected *entreaties* from the Foreign Ministry and others that it set its new aid *spending target* as a percentage of gross national product. However, it has committed itself to reaching the average of OECD's Development Assistance Committee countries by this measurement, which is about 0.35 per cent of GNP.

Japan's aid spending last year totalled $7.45bn, 0.31 per cent of GNP.

The Government has also undertaken, as expected, to improve the quality of its assistance overseas, expanding grant aid to the least developed countries, providing more technical assistance to developing countries and contributing more manpower and finance to the international aid organisations.

It expects at least to double the amount of debt relief for the least developed countries in the next five years compared with the $330m forgiven over the last 10 years. It also will try to provide relief to countries that borrowed money in yen and now have to pay it back in more expensive yen.

Mr Noboru Takeshita, the Prime Minister, will present the new plan at the summit meeting of the seven leading industrialised nations in Toronto next week.

Singh: staunchest critic

Corruption charges fly in India poll

By K.K. Sharma in New Delhi

HECTIC AND bitter campaigning for *tomorrow's* by-election in the Allahabad constituency in the northern Indian state of *Uttar Pradesh ended last night* amid renewed charges of corruption against Mr Rajiv Gandhi, *the Prime Minister*, from Mr V.P. Singh. Formerly, his finance and defence minister, *he is now Mr Gandhi's* staunchest critic.

Mr Singh resigned from the Indian Cabinet just over a year ago during a political controversy over payoffs in defence deals in which corruption charges were made against the Prime Minister.

The Allahabad by-election is being seen as a test of strength *between Mr Gandhi's Congress* (I) Party and the opposition and both have thrown all their full weight into the bitterly-*fought contest*. The opposition has claimed that official machinery is being misused and that thousands of Congress (I) workers have been sent to rig the election. This campaign against Mr Gandhi appears to have been effective.

The Allahabad parliamentary by-election is one of seven in various states; there are also elections to several state legislatures.

Because of the wide interest in the contests, tomorrow's poll is seen as a key test of Mr Gandhi's political standing. Equally, the outcome will be crucial for Mr Singh, now being groomed by the opposition as an alternative to the Prime Minister.

Mr Singh now heads the Jan Morcha (People's Movement).

The Allahabad seat fell vacant when Mr Amitabh Bachchan, the Indian film star and a close friend of Mr Gandhi, resigned from Parliament about nine months ago after charges *that he* and his brother had been involved in illegal foreign exchange deals. Until a month ago, it was thought that Mr Bachchan would contest the by-election to vindicate himself. Mr Singh then announced he would stand against him.

The ruling Congress (I) Party decided at the last minute not to put up Mr Bachchan as its candidate.

Its candidate is Mr Sunil Shastri, the son of the late prime minister, Mr Lal Bahadur Shastri. Another strong candidate is Mr Kanshi Ram, a leader of a new party of *harijans* (formerly the untouchables), which could eat into the votes of both leading contestants.

Ruling party leadership backs controversial tax

BY STEFAN WAGSTYL IN TOKYO

JAPAN'S ruling Liberal Democratic Party leadership has backed the introduction of a 3 per cent consumption tax as the centrepiece of a radical tax reform programme.

The plan was published yesterday after weeks of debate by the *party's tax reform panel in a* move tantamount to a Cabinet proposal. Nevertheless, the scheme is likely to run into considerable opposition from rank-and-file party members in the Diet (parliament).

Mr Noboru Takeshita, the Prime Minister, plans to call an extraordinary session of the Diet for mid-July to consider the tax proposals, which include reforms of tax on alcohol and cars and a reduction in income tax rates.

The ruling party calculates it might lose 40 of its 301 seats in the Lower House if the reforms are passed. Farmers and shopkeepers, the core of the LDP's support, are among the most vehement opponents of change because many of them would be brought into the tax net for the first time.

In addition to the 3 per cent *indirect tax, the tax panel yester*day also proposed an extra 3 per cent levy on cars. This would eliminate existing taxes of 23 per cent on cars of 2,000 cc-plus engine capacity and 18.5 per cent on cars with smaller engines.

The panel recommended cuts in income tax worth Y5,600bn (£24.6bn) a year, to be introduced in two stages. The threshold for inheritance tax exemption would be raised and income tax categories simplified retroactively from January this year. Higher thresholds for income tax would be introduced from next January.

N Korea debt plan dissent

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

Disagreement has emerged among North Korea's leading bank lenders to a plan which calls for the forgiveness of two-thirds of the country's foreign debt to western banks.

The plan was presented at a meeting in London this month to almost all of the country's 140 or so bank lenders. It crystallised the debt at $900m, and called for the North Koreans to pay 30 per cent of this by the end of 1991 at fixed interest rates. The rest would be forgiven.

The plan was conceived by the North Koreans with Morgan Grenfell, the head of one of two bank groups that made the loans to the country in the 1970s. However, opposition to the plan has come from the other bank group, led by the Australian and New *Zealand Bank Corporation*, whose lending was originally primarily to finance trade.

While the Morgan Grenfell telex message to banks describes only two options, the debt forgiveness plan and legal action, the ANZ telex provides a further choice: payment of the first 30 per cent according to the plan, and then payments on the rest to be deferred for 10 years with interest capitalised, before the North Koreans would start repaying the rest. This third option has not been negotiated with the North Koreans and is understood to be regarded as very unhelpful by Morgan Grenfell.

Since most banks will have written off their North Korean loans, any opposition to the plan is presumably based on principle.

Israeli public-sector employees strike

WORK AT government ministries and hospitals in Israel was seriously disrupted yesterday at the start of a series of strikes called by public-sector unions in support of a claim for improved pay and fringe benefits, Andrew Whitley reports from Jerusalem.

About 60,000 mainly lower-grade employees stopped work at many central government offices in Jerusalem and Tel Aviv.

The strikes look set to worsen from tomorrow, when the Histadrut, the labour federation, is due to call out 130,000 more members of other higher-grade unions.

Israel's senior diplomats based in Jerusalem are expected to join the strike tomorrow. Only the office of Foreign Minister Shimon Peres and his Director-General will be manned on an emergency basis. "It'll bring the peace process to a halt," joked a Foreign Ministry official, alluding to the near deadlocked initiative of US Secretary of State George Shultz.

MINISTER HOPES FOR AUGUST DEAL WITH FRENCH OIL REFINING GROUP

Nigeria in talks over stake in Elf

BY PAUL BETTS IN PARIS

NIGERIA is negotiating with Elf-Aquitaine, the French state-controlled oil refining and petrol distribution group, about acquiring a stake in the company.

Mr Rilwanu Lukman, the Nigerian oil minister, confirmed to the French Le Monde newspaper that talks were underway which would see Nigeria taking a stake in an Elf refinery as well as in part of the French group's distribution network.

He hoped the deal would be completed before August. An agreement would make Nigeria the latest major oil producing country to acquire a direct stake in the Western downstream oil *market to help guarantee the sale* of part of its crude oil production in the currently difficult international oil market.

Elf, in common with several other large Western oil groups, has been signing agreements with oil producing countries which would help ease the financial difficulties of its loss-making refining business while strengthening the company's links with a major oil producer.

Total-Compagnie Française des Pétroles, the other large French oil group, is discussing similar downstream deals with a number of Middle East oil producing countries including Abu Dhabi which acquired a 5 per cent stake in Total last year.

Elf already has long standing connections with Nigeria, Africa's biggest oil producer. For a quarter of a century the French company *has had* a presence in Nigeria, where it is involved in oil exploration and production operations and owns a small petrol station and petroleum products distribution network. Elf also has a 10 per cent stake in the Bonny Island liquefied natural gas project in Nigeria.

Lukman: deal before August

Mr Lukman said Nigeria was interested in the French market and that Elf and his country had agreed the principles of the deal. However, the financial conditions had still to be worked out.

Elf recently indicated that it was *interested in an acquisition* in the US downstream oil sector as part of a broader deal involving an oil producing country interested in investing in Elf's downstream operations.

Elf believes that an acquisition in the US would make its downstream business more international and attractive to a Middle East or other oil producing country keen to invest in the western refining and *retailing sector*.

However, any eventual acquisition by Elf in the US downstream business would have to be intrically linked to a deal with an oil producing country.

Brash to become chairman of NZ Reserve Bank

By Dai Hayward in Wellington

THE NEXT CHAIRMAN of the New Zealand Reserve Bank will be Mr Don Brash, currently managing director of Trust Bank. He will succeed Sir Spencer Russell, who is due to retire soon.

Mr Brash, who twice unsuccessfully stood as an opposition National Party candidate against the current Labour Government, was appointed by Mr Roger Douglas, the Finance Minister, as chairman of a panel reviewing submissions on the goods and services tax.

Mr Brash favours a reduction in value of the New Zealand dollar.

● *The New Zealand Government* is expected to agree to an Iranian request to open an embassy in the country.

Zia puts opposition in quandary

BY CHRISTINA LAMB IN ISLAMABAD

OPPOSITION parties in Pakistan are facing a serious dilemma in their approach to the political crisis caused by President Zia's sacking of the Government and dissolution of the National Assembly.

If they press for party-based elections, those claiming to be national forces stand to be exposed as paper tigers, unable to field more than a *handful* of candidates.

If they participate in non-party elections they will be reversing their boycott of this type of election in 1985 and risk legitimising the regime.

Yet if they refuse to stand at all they leave the field clear for the continuation of President Zia's reign and the depoliticisation of Pakistan.

While almost all parties agree that their single most important objective is to topple the President, most of their leaders are so consumed with petty rivalries that they are unable to unite in a mass movement to achieve this.

Opposition infighting has been so damaging that President Zia may even decide to call party-based elections, confident in his intelligence reports that no party would win a majority and all would be dependent on making compromises with him.

Nothing would please Zia more than to have Ms Benazir Bhutto's Pakistan People's Party (PPP), which has always claimed to be the voice of the people, under his thumb as a minority within the Assembly.

Mumaz Bhutto, Miss Bhutto's cousin and leader of the Sind-Baluch-Pushtoon Front, which will *boycott elections, explained*: "It's the chance he's been waiting for. Zia will be able to say, look, first I held elections on a non-party basis, then on a party basis, and still the country couldn't function. The only alternative is to have an Islamic system with Zia as a kind of self-styled pope."

The PPP's support has dwindled over the past two years. Some within the PPP blamed this on Ms Bhutto's inability to provide inspired leadership; others blamed the Movement for the Restoration of Democracy (MRD), an opposition alliance of nine parties formed to press for elections in 1981, of which the PPP is the largest member.

Its combination of socialist, right wing and religious parties has always made it hard for the MRD to unite on anything more than a minimum programme.

Meanwhile, President Zia *shows no signs of announcing* elections of any sort. He is obliged under the constitution to announce elections by August 29.

Dalai Lama to tell EC of plan for Tibetan rule

By Colina Macdougall in London

THE DALAI LAMA, Tibet's exiled religious leader, is to launch a new initiative on the future of Tibet in an address to members of the European Parliament in Strasbourg today.

He is expected to state that the whole of Tibet, which includes parts of other Chinese provinces besides the present Autonomous Region, should be a self-governing political entity in association with China, while Peking would retain responsibility for defence and foreign affairs.

His address will have followed visits to Britain and the US as part of efforts to attract world attention to the plight of Tibet.

The Dalai's plan includes proposals for a system of elections, and for a conference on demilitarising the region.

He is also to urge that China cease its programme of transfer of ethnic Chinese into the region.

Malaysia to try chief judge

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN government has announced a six member tribunal to try the head of the country's judiciary, Tun Salleh Abas, for alleged misconduct. If found guilty, Tun Salleh, who is Lord President of the Supreme Court, would be dismissed.

The only formal charge against Tun Salleh is that he had written a letter to the King to which he took exception. *In the letter*, Tun Salleh defended the judiciary against criticisms from the Prime Minister, Dr Mahathir.

AMERICAN NEWS

Howard Baker resigns as White House chief of staff

BY LIONEL BARBER IN WASHINGTON

MR HOWARD BAKER, the White House Chief of Staff who guided President Reagan through the turmoil of the Iran-Contra scandal to the triumph of two superpower summits, announced his resignation for personal reasons yesterday.

Mr Baker, whose resignation will take effect on July 1, gave his wife's illness as the main reason for leaving. He will be replaced by Mr Kenneth Duberstein, his deputy since March 1987, who will lead the White House through the final seven months of Mr Reagan's presidency.

President Reagan said he had accepted Mr Baker's decision to resign with deep regret, and described the former Tennessee Senator and Senate majority leader as a "close friend and adviser" over the past 16 months.

Mr Baker's departure does not signal any dramatic upheaval in an administration winding down in the run-up to the November general election. However, Mr James Baker, US Treasury Secretary, is widely expected to leave shortly after this month's Toronto economic summit to assume command of Vice-President George Bush's presidential campaign.

Mr Howard Baker replaced Mr Donald Regan as White House chief of staff in February 1987 after a palace coup led by Mrs Nancy Reagan. He took the job reluctantly, having retired from the US Senate in 1984 to put a lucrative law practice in his home state above further political ambitions.

Howard Baker: steady hand

As President Reagan acknowledged in his tribute yesterday, it was Mr Baker's steady hand which held the White House together as first Congress, then a special criminal prosecutor, investigated the Iran-Contra scandal, the administration's secret arms sales to Iran and diversion of profits to the Nicaraguan Contra rebels.

Mr Baker was instrumental in turning the administration away from confrontation with the Democratic majority in Congress towards the creation of a bipartisan foreign policy, particularly in the shift to better relations with the Soviet Union.

The shift may have disappointed the conservatives, but it smoothed the way for the Intermediate Nuclear Forces treaty, the historic pact eliminating a whole class of missiles which was signed at the Washington summit last year, ratified by the US Senate last month and finally approved by Mr Reagan and the Soviet leader Mr Gorbachev at the Moscow summit.

In recent weeks, the Bush campaign has privately criticised Mr Baker for not encouraging Mr Reagan to help their candidate. They have also suggested he still harbours support for the failed Republican contender and fellow Senator, Mr Robert Dole of Kansas. Such criticism – and the fact that his wife, Joy, is still suffering ailments after cancer surgery six years ago – will not have encouraged Mr Baker to stay on the job.

Thomas Griscom, White House communications director, and Mr Baker's right hand man, is also expected to resign shortly.

Court orders bribes case oil group to pay $70m

By James Buchan in New York

SHAKEN officials at Ashland, the Kentucky-based oil refining and marketing group, said yesterday it would appeal against a crushing $70m damages awarded to two executives allegedly fired for blowing the whistle on questionable foreign payments.

The company, which continued to contend yesterday that the payments to middlemen in the Middle East were not illegal bribes, said it would "pursue its appeal rights" against the $69.5m in actual and punitive damages awarded to Mr Bill McKay and Mr Harry Williams.

Lawyers for the two men said the award, one of the largest ever handed down by a jury, was a triumph for the corporate whistleblower. The damages represented income the two men might have enjoyed as senior oil company executives. This was then tripled by the court under provisions of the federal racketeering law.

In their four-year suit, the two men claimed that they were fired in 1983 after raising questions about $46m in payments to middlemen to gain access to crude oil from Abu Dhabi and Oman for its refineries *during the second oil crisis of the early 1980s.*

The payments were made under the chairmanship of Mr Orin Atkins, who resigned abruptly in 1981. In 1986, Mr Atkins and Ashland were charged by the Securities and Exchange Commission with paying $29m to an Omani official. The payments were allegedly made to a company owned by a former British military officer with influence at the Omani court, Mr James Landon.

The suit was settled without an admission of guilt but Ashland and Mr Atkins agreed to conform to the anti-bribery provisions of federal law.

The company says it has added outside directors to its board and decentralised its management since Mr John Hall took over as chairman from Mr Atkins.

Dukakis puts conventional arms spending before nuclear weapons

BY STEWART FLEMING, US EDITOR IN WASHINGTON

GOVERNOR Michael Dukakis insisted yesterday that the United States must be prepared to scrap some new nuclear weapons in order to spend more building up conventional forces.

In his first major foreign policy address since victories in four primaries a week ago assured him of the Democratic nomination, Mr Dukakis told the annual meeting of the Atlantic Council of the United States in Washington yesterday: "We do not need a laundry list of new strategic systems . . . we need a strong and survivable nuclear deterrent and we have a strong and survivable nuclear deterrent. But we continue to *have serious deficiencies* in our conventional forces."

He said he opposed both the costly proposal for transforming the MX missile into a mobile missile by putting it on railcars and the development of a single warhead "Midgetman" mobile missile because further significant increases in the defence budget could not be expected while higher priority needed to be given to strengthening conventional defences.

In his efforts to unite the Democratic Party while avoiding providing his likely Republican rival Vice-President George Bush with a chance to label him as another Democratic candidate who is "weak on defence" Mr Dukakis is having to walk a narrow line.

He must on the one hand satisfy those in his party who want defence expenditure cuts and on the other satisfy conservative Democrats and Republicans who argue that it is a mistake for a presidential candidate to rule out a US commitment to new nuclear weapons systems without getting something in return from the Soviet Union at the arms control bargaining table.

Sensitive to the latter problem, Mr Dukakis yesterday *said he* was not opposed in principle to "modernising" the US nuclear deterrent. He also insisted that in seeking to improve the balance of conventional forces in Europe, he was not considering the "equal reductions that Mr Gorbachev talked about during the Moscow summit. If we want to eliminate as completely as we can the possibility of a surprise attack we have to have greater reductions from the side with the most forces – the Warsaw pact".

He also stressed the importance of maintaining the unity of the Western alliance, sharply criticising the Reagan Administration's decision at the Reykjavik summit in 1986 "to adopt dramatic new bargaining positions on nuclear weapons without consulting our allies".

He was questioned about the decision of his representatives at last weekend's meeting of Democratic Party officials to support a proposal that the party's election platform should include describing South Africa as a "terrorist state". Mr Dukakis hinted that he had permitted his representatives to adopt this position partly for tactical reasons.

He emphatically underscored his opposition to apartheid and left no doubt that he would take a far tougher position on South Africa than the Reagan Administration, reiterating his support for the draconian sanctions bill now before the House of Representatives. But Mr Dukakis said he did not like labels. "I am not sure that putting labels on the whole thing is as helpful as . . . all those steps that we think we ought to take, beginning with very tough economic sanctions."

Minister rejected

The Colombian Government has cancelled the appointment of Mr Jaime Bernal Cuellar, a law professor, as Justice Minister because he spoke out against the extradition of drug traffickers to the US, Reuter reports from Bogota.

President Virgilio Barco said he refused to "accept conditions" from civil servants on policy matters.

Louise Kehoe, in San Francisco, on anger following the collapse of trade talks in Tokyo

US chip makers admit to Japanese class

US SEMICONDUCTOR industry leaders, frustrated and angry following the recent collapse of trade talks in Tokyo, this week conceded that they had been outclassed and outmanoeuvred by their Japanese counterparts.

A third round of industry trade talks broke down over Japan's refusal to agree to a US goal of a 20 per cent foreign share of the Japanese market by 1991.

This goal was stated and apparently acknowledged by both countries in a side letter to the 1986 US Japanese semiconductor trade agreement, but Japanese officials have repudiated the side letter as a non-binding adjunct to the official agreement.

The breakdown of the talks presents a dilemma in the US. Both the US and Japanese governments had encouraged the chip makers to try to resolve the trade dispute themselves rather than on a government level. In fact, they say, the close relationship between the Japanese industry and its Ministry of International Trade and Industry have meant that in effect the US industrialists have been negotiating indirectly with the Japanese Government.

Despite what appear to be overwhelming odds against their success, the US industry group has left the door open to further talks and has agreed to co-sponsor an open discussion in October which will include European industry representatives for the first time.

While taking a moderate public stance, US industry leaders who participated in the latest Tokyo talks are unanimous in their support for trade sanctions against Japan as a means of forcing the Japanese to comply with the trade pact, according to a close observer.

The industry group is, however, unlikely to make a public call for sanctions unless it is reasonably assured of government support.

But gaining government backing for increased sanctions may be difficult in the waning weeks of the Reagan Administration. "There is little appetite for such a move in Washington," said an industry strategist. Administration officials "are too busy writing their resumes to take up this issue," he commented.

The chipmakers are also unlikely to win support for sanctions from US electronics equipment and computer manufacturers, which fear that any such action could backfire on US companies with business ties in Japan.

An alternative option, being mooted in the semiconductor industry, would be to transfer $165m in punitive import tariffs imposed upon selected Japanese products 14 months ago to a new range of products. These sanctions are the remaining portion of $300m in tariffs imposed by President Reagan in retaliation for alleged Japanese failure to live up to the terms of the trade pact.

The tariffs are largely ineffective because Japanese manufacturers have found ways to circumvent them, but they remain a serious embarrassment to Japan and their impact could be increased if applied to a new range of products.

Another option being explored by US chipmakers is to raise congressional support for increased pressure on Japan by elevating their fair trade fight into an election campaign issue.

The outcome of such a public debate over semiconductor trade is, however, uncertain and would be counterproductive if it resulted in calls for strong protectionist actions that would be resisted by many in the US electronics industry.

The new version of the Trade Bill now under discussion in Congress also represents a potential opportunity for the US semiconductor industry, although no specific recommendations are believed to have been made at this time.

Whatever strategy the US semiconductor industry adopts, it is resigned to three more years of haggling with the Japanese over the trade pact. The industry's initial optimism following the signing of the agreement in 1986 is now tempered by the realisation that any progress will be slow and painfully won.

Garcia resists change as Peru's economy totters

BY ROBERT GRAHAM IN LIMA

PRESIDENT ALAN GARCIA of Peru is distancing himself from demands to abandon his "heterodox" economic policies, despite a dramatic drop in reserves, mounting inflation, distortions in exchange rates, and shortages of essential industrial items.

A shock adjustment programme and a return to economic orthodoxy after nearly three years of financing high growth through non-payment of the $14bn foreign debt appears to have been rejected as politically unacceptable.

Financing losses caused by an unrealistic foreign exchange policy are estimated to have added at least 3 per cent to the fiscal deficit this year.

Advisers say he is unwilling to alter his policy of restricting debt service payments to all save favoured lenders, totalling $300m a year.

WORLD TRADE NEWS

Trade with the EC has grown steadily, **David Marsh** reports

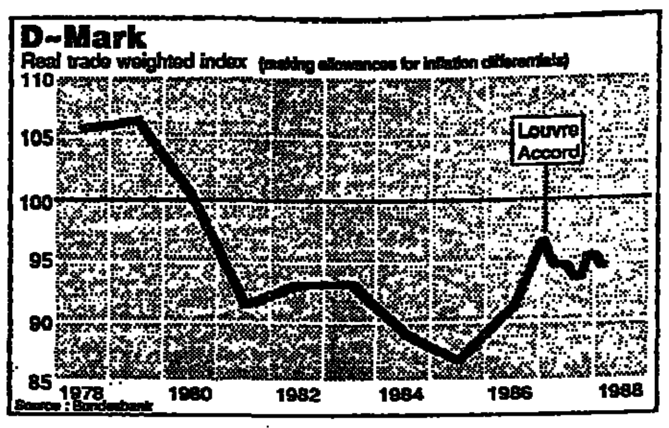
EMS boost for W German exports

THE success of the European Monetary System in keeping the D-Mark competitively stable against other European currencies has emerged as an important factor behind strong growth of West German exports to EC countries.

In view of inflation which is lower in West Germany than in the rest of the EC, the absence of any exchange rate changes in the EMS since the last realignment in January 1987 has led to a real *(inflation-adjusted)* devaluation of the D-Mark against EC currencies over this time.

The EC accounted for 52.7 per cent of West German exports last year. In view of the high and growing volume of trade with Europe, the real value of the D-Mark against a trade-weighted basket of currencies has fallen significantly over the past year, in spite of the currency's appreciation against the dollar, according to Bundesbank figures.

Based on the latest data for March, and making an adjustment for inflation based on differences in consumer prices, West German exporters have gained a roughly 2 per cent increase in competitiveness since February 1987, when the main industrialised countries signed the Louvre currency stabilisation accord.



West German exports to the rest of the Community rose 6 per cent in real terms last year. Although a breakdown of West German exports by country is not yet available for the first few months of 1988, the real depreciation of the D-Mark appears to have given exports to the EC a further boost this year. Analysts generally expect a 3-4 per cent increase in the volume of overall German exports this year.

According to the EC Commission, West German exports to the EC as a share of total intra-Community trade have risen steadily over the past few years, to 27.7 per cent last year from 27.2 per cent in 1986 and 25.6 per cent in 1980-81.

Showing how the concentration on the EC of the Federal Republic's imports has diminished compared with other countries, its share in overall Community imports has fallen to 22.6 per cent from 22.9 per cent in 1986 and 24.4 per cent over the period.

According to Prof Hans-Jürgen Schmal, vice-president of the Hamburg economic research institute, the "stable upwards trend" of West German exports is likely to continue as a result of the relative D-Mark depreciation against EMS currencies.

"After the French elections, many thought that the French franc would be devalued," he said. "Now however, it does not look like that." He expected no EMS parity changes until the end of the year. "The others do not want devaluations."

Mr Hans-Peter Fröhlich, an economist at the Institut der Deutschen Wirtschaft, a Cologne research institute close to industrialists' organisations, said France had had to face a real appreciation of its currency against the D-Mark. "This hurts France significantly. It's not good for [French] export performance," he said.

The latest economic report from Citibank in Frankfurt says strong order inflows from abroad indicate a marked improvement in West German export prospects for 1988. However, the regained competitive advantage in relation to the EC may be lost during the year as an EMS realignment will have to take place soon, it adds.

Call for tough patent controls

BY WILLIAM DAWKINS IN STRASBOURG

A CO-ORDINATED worldwide crackdown on the growing problem of theft of intellectual property was called for yesterday by top employers' lobby groups in Europe, the US and Japan.

They urged governments to agree tough controls on infringements of patents, copyrights, trademarks and registered designs in the current Uruguay round of talks in the General Agreement on Tariffs and Trade.

The call is contained in a joint paper published by Unice, the European Employers' Federation, the Keidanren, its Japanese counterpart, and the Intellectual Property Committee, a lobby group of US multinationals.

National controls on illicit copying conflict and are inadequate, says the paper. It cites estimates that US businesses lost $23.8bn (£13.2bn) in 1986 because of poor protection against all kinds of intellectual property infringements including home taping, illegal copying of microchip designs and software, and counterfeiting of drugs and consumer products.

Unfair foreign competition from counterfeit products has led to the loss of 100,000 jobs in the European Community, the report claims. The employers want the right under Gatt rules to stop imports of illegally copied goods at borders and to take out court injunctions against intellectual property infringements inside their national markets.

If intellectual property holders cannot win redress on their own, the employers are demanding the establishment of disputes panels in Gatt along the lines of the existing disputes procedures for conventional trade rows.

The report is the detail of an outline accord reached among the three groups last month and is the latest sign of increasing international concern over the huge sums being lost by companies having to defend their intellectual property.

It follows European Commission proposals for a clampdown on copyright and trademark fraud which envisages specific legislation and penalties rather than the international policing system the employers want to develop in the Gatt.

The study quotes examples of microchip design that cost $100m to develop but just $1m to copy. It also reckons the US software industry loses $500m annually from software piracy, while the British software trade lost an estimated £150m in 1983 for the same reason.

China may seek foreign help with power plant

By Robert Thomson in Peking

CHINA is likely to enlist foreign assistance in the expansion of its Qinshan nuclear power station in the eastern province of Zhejiang, despite a previous downgrading of long-term nuclear goals and an original plan to rely on Chinese technology for the plant.

Mr Bob Davidson, a director of Britain's General Electric Company, said Chinese officials have had discussions with his company over the supply of equipment for a 600-MW second phase, and, perhaps for a 600-MW third phase, for the Qinshan plant, which apparently has a 300-MW Chinese-made reactor nearing completion.

Foreign companies have been waiting for signs that China is willing to use imported technology, as two years ago the Government revised plans to build 10 nuclear plants by the year 2000 and shifted the emphasis to developing thermal power stations.

The decision was apparently made because of the expense of importing nuclear technology and because Chinese officials conceded that the country would take many years to master the building of large reactors.

It had seemed that the $4bn (£2.2bn) Daya Bay nuclear station in Guangdong Province, for which GEC and France's Framatome and Electricité de France won contracts, would be the only plant to rely on foreign equipment.

Mr Davidson predicted that there would be "extensive discussions" with foreign companies in the next 18 months to supply Qinshan, which was commissioned by the Government in February 1970, though work did not begin until 1983. The late Premier Chou En-lai is said to have approved the plant, intended as a symbol of China's self-reliance.

Nuclear energy officials are known to have pushed for the expansion of Qinshan, particularly when it became clear that other proposed projects were unlikely to proceed.

They argued that the plant would allow technicians "completely to master the technique of nuclear power", and "lay a foundation for further development".

GEC is among seven companies represented in a British energy delegation to China, headed by Mr Cecil Parkinson, Secretary of State for Energy.

French may win submarine deal

BY DAVID OWEN IN TORONTO

US and Canadian negotiators are today expected to reach agreement on amendments to a 1959 nuclear co-operation treaty which would clear the way for Britain to release to Canada US technology contained in the Trafalgar-class submarine.

However observers believe that the French Amethyste class submarine is emerging as the more likely choice in the battle for the contract.

Canada intends to buy for around C$8bn (£3.6bn) a fleet of 10 or 12 nuclear-propelled submarines of either British or French design as part of its defence build-up.

But many believe the treaty agreement may come too late to salvage the UK's Vickers Shipbuilding and Engineering's chances of winning the contract.

In normal circumstances, the US Congress requires 90 legislative days to ratify treaty amendments. Fewer than 90 days of the present session remain.

Only if the Administration submits an affirmative resolution, carrying no minimum time stipulation could congressional approval be obtained during the current presidency.

This course is regarded as highly unlikely, since it would almost certainly lead to public hearings and leave the proposals vulnerable to filibustering.

While the Canadian Department of National Defence says it is still completing the evaluation, the smaller French Amethyste-class vessel, which is derived from the Rubis in service with the French navy, is widely tipped to be the more likely choice.

In addition to the British bid's technology transfer problems, the crucial cost factor seems to favour the cheaper French vessel, as does the turn for the better in the Franco-Canadian dispute over fishing rights off St-Pierre-Miquelon.

Canada's Defence Minister, Mr Perrin Beatty, is under intense pressure from the Ministry of Finance not to exceed his C$8bn cost projection for the submarine acquisition.

SNA Canada, the Ottawa-based company set up to pursue the French bid, believes it can supply 12 Amethyste-class vessels for C$7.2bn-C$7.8bn, including infrastructure. There is some doubt that Vickers could supply even 10 craft at such a price.

In Vickers' favour is the Trafalgar's lengthy operational experience, as well as superior performance features. SNA claims a 10-year lifespan for the Amethyste's uranium oxide core. The British nuclear cores have a longer life expectancy.

US acts on S Korea wine tariff

THE US is to investigate charges that South Korea is unfairly blocking imports of US wine, Reuter reports from Washington.

US wines are prohibitively expensive in South Korea because Seoul imposes a 100 per cent tariff plus a quota on wine, according to the US industry which has lodged a complaint over the tariffs.

It estimates the barriers cost US companies $45m (£25m) in sales in the past five years.

Mr Clayton Yeutter, US Trade Representative, who announced the move, said he was acting on the wine industry's petition because three years of government consultations aimed at achieving open and non-discriminatory market access had been unsuccessful.

He added that the US would make further efforts to resolve the issue but "if those efforts do not lead to a satisfactory resolution of the matter, the US could retaliate against any unfair, unreasonable or discriminatory Korean government practice that limits access to its wine market."

The US President will decide what final action to take.

Mr Yeutter also announced the establishment of a task force to look into South Korea's practices and policies on patent rights because he was concerned "there may be a far-reaching problem".

US, Australia to push Seoul on beef market

BY PETER MONTAGNON AND MAGGIE FORD IN SEOUL

THE US and Australia are to continue their efforts through the General Agreement on Tariffs and Trade to force South Korea to open up its beef market despite expectations that the Government of President Roh Tae Woo will resume limited imports this year.

The two countries will make a second request this week for Gatt to adjudicate on the issue after an earlier attempt to reach such a ruling was blocked by South Korea.

Despite the relatively small amounts of trade involved – estimates of the potential market value of high quality imports range up to only around $10m (£5.5bn) – the beef issue has assumed major political importance in South Korea, where producers have been suffering from sliding prices following a long period of oversupply.

Government policies on beef have drawn fierce criticism from farmers, which has spilled over into anti-US sentiment as the Reagan Administration has pursued its efforts to force a market opening.

Farmers say they were led into overproduction *following a decision* by the Government of former President Chun Doo Hwan in 1984 to stimulate beef and dairy production by allowing the import of some 30,000 cattle.

In the event, unofficial estimates suggest that as many as 80,000 head may have been imported and producers have had to slaughter them at a loss because of lower prices.

This has now led to a shortage of beef which is to be met by a limited reopening of the market to imports for the first time since 1985, although the Government is examining ways of compensating domestic producers.

The US is expected to argue in Gatt that South Korea can no longer claim developing country status to protect its beef market and should open the market fully. Australia is concerned that the US might strike a private bilateral deal on beef imports. It is pursuing its complaint independently in the Gatt for the time being.

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Labour leader acts fast to resolve new defence row

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL Kinnock, the Labour Party leader, moved quickly yesterday to stem the crisis created by the unexpected, late-night resignation of Mr Denzil Davies as the opposition party's spokesman on defence.

Within hours of Mr Davies' decision to step down, which was accompanied by a highly personal attack on both Mr Kinnock's leadership style and his latest stance on defence policy, Mr Martin O'Neill was appointed to fill the vacent post.

Mr O'Neill, a member of the soft-left Tribune group of MPs, is a Kinnock loyalist and had been Mr Davies' deputy since 1984. He is not a member of the shadow cabinet, the inner council of the parliamentary Labour Party, but will attend its meetings.

The appointment followed a series of meetings called by Mr Kinnock in the wake of his defence spokesman's unexpected departure.

Attempts by the party leadership throughout yesterday to contact Mr Davies in order to clarify his position failed. He is entitled to remain in the shadow cabinet, membership of which is elected, although he is unlikely to be offered another portfolio.

In a statement given to the Press Association, which was followed several hours later by a letter of confirmation to Mr Kinnock, Mr Davies claimed he was "fed up with being humiliated" by his party leader, who he said never consulted him on defence policy. He stressed that he did not agree with Mr Kinnock's recent suggestion that Labour's "something for nothing" nuclear defence strategy was now redundant.

Despite the way in which Mr Davies chose to make known his decision, it is understood he has been actively considering resignation for the last few days. He is thought to believe that Mr Kinnock is now advocating a return to the bilateral arms reduction process which Labour unsuccessfully promoted during the 1983 election campaign.

Mr Kinnock said yesterday he was "surprised and saddened" by the resignation. He had not had been given any hint of Mr Davies' intentions, although he emphasised that shadow cabinet members could contact him at any time.

Denzil Davis: fed up with being humiliated

Supporters of the current leadership at once rallied behind Mr Kinnock, claiming that the resignation arose directly from a conflict of personalities.

Mr Bryan Gould, Labour's trade and industry spokesman, described the resignation as "very serious and very unwelcome" but he claimed the manner, timing and "highly coloured language" used by Mr Davies reflected a clash of personalities rather than any conflict on policy.

But Mr Davies' damaging remarks were seized upon by the party's left-wing as evidence of Mr Kinnock's authoritarian approach and of the internal opposition building up to his efforts to reshape Labour defence policy.

Mr John Prescott, who is standing against Mr Roy Hattersley, the present incumbent, for the deputy leadership of the party, said the resignation enforced the need for collective decisions during the course of Labour's current policy review.

In remarks which will increase the leadership's unease, Mr David Blunkett, a member of Labour's ruling National Executive Committee, said that the words used by Mr Davies in resigning were very similar to those used by Mr Michael Heseltine, the former Defence Secretary, when describing his relationship with Prime Minister Mrs Margaret Thatcher.

He added:"We need to ensure that we do not have the same friction and tension, so cleverly hidden by the Conservative Party, up front in the Labour Party."

William Dawkins in Brussels adds: Mr Kinnock received another unwelcome rebuff yesterday, from Labour's euro-MPs. They voted by a narrow majority to elect Mr Barry Seal, a staunch anti-EC campaigner, as leader of the 32-strong British Labour Group in the 518-seat Strasbourg Assembly.

Mr Seal, who was only last year convicted for shoplifting, replaces Mr David Martin, a close supporter of Mr Kinnock. Mr Martin is devoted to trying to persuade Labour to take a positive view of the Community.

While the vote in the group's annual poll was close, with 16 for Mr Seal, 15 for his opponent and one abstention, the move was seen in Strasbourg as a clear signal to Mr Kinnock not to push too hard to change Labour's anti-EC policy.

Mr Seal, who represents Yorkshire West in the European Parliament, immediately vowed "to fight to protect working people in the UK against the worst excesses of the Common Market." However, in an apparent softening of his earlier forceful denunciations of Britain's EC membership, he admitted "that it would not be feasible to withdraw."

He said he saw his task as being to work for British interests in the EC, including channelling aid to regions likely to suffer in the creation of a single internal market. "More has got to be done for some of the regions once the internal market has come into effect," he said.

THE BARLOW CLOWES AFFAIR

Investigators show interest in tracing £1m loan recipient

BY NICK BUNKER

INVESTIGATORS of the Barlow Clowes insolvency hope soon to interview Dr Peter Naylor, a former business associate of Mr Peter Clowes, who received a £1m loan from funds belonging to 11,000 investors in Gibraltar-based Barlow Clowes International (BCI).

Dr Naylor was a senior Barlow Clowes executive until he left late last year. He also appears to be a wealthy man; his UK address is Send Barns, a magnificent mock-Elizabethan country house with a tennis court set in extensive grounds at the end of a 50-yard drive in the Surrey village of Send, near Guildford.

The house - which local estate agents value now at about £700,000 - was formerly the residence of the chairman of a leading life assurance company.

Dr Naylor now runs his own Gibraltar-based company, Brookwood Asset Management. Brookwood has been marketing itself recently as what it calls "an exciting new investment vehicle" aimed at giving non-UK residents a high level of income by using what it calls "wave-space analysis" as the basis for trading in gilt-edged securities.

Its marketing literature describes Dr Naylor as having a double-first in mathematics and physics from Exeter University and a doctorate from Imperial College, London. It says that Dr Naylor takes the view that "offshore centres will play an important part in the new worldwide financial services industry."

Mr Malcolm London, a partner in Cork Gully, one of the insolvency firms acting as BCI's joint liquidator, confirmed last night that the firm spoke briefly to Dr Naylor yesterday morning and intended to meet him in the near future about the £1m loan.

Records at Companies House depict a close business relationship over the past few years between Mr Clowes and Dr Naylor, which culminated in Dr Naylor's appointment in May 1986 as a director of James Ferguson Holdings, the ultimate holding company for the Barlow Clowes group.

He resigned from Ferguson's board on November 24 last year, 11 days after the Department of Trade and Industry authorised the appointment of inspectors to look into the affairs of Barlow Clowes Gilt Managers.

It emerged yesterday that some of the business links between Mr Clowes and Dr Naylor concerned their involvement in three companies whose names relate to properties in the immediate vicinity of Dr Naylor's Surrey home. The names of all three companies have changed at various stages over the past three years, but the latest available Companies House records show them as Southern Properties (Send) Ltd, Tudor Barn Farm Ltd and Tudor Barn Stables Ltd.

Dr Naylor and Mr Clowes became directors of all three companies in October 1985. Mr Clowes subsequently resigned from Tudor Barn Farm Ltd in March 1987, and from Southern Properties in October 1986.

A property called Tudor Barn Farm is located about 100 yards up a country lane from Send Barns.

Dr Naylor, who was not at home in Surrey yesterday morning, could not be reached for comment last night. At Brookwood's offices in Gibraltar, a woman who answered the telephone said that he was not on the Rock but was thought to be in England, but she would not give addresses where he could be contacted.

Former monopolies commission chairman to study DTI conduct

BY PETER RIDDELL, POLITICAL EDITOR

SIR GODFRAY Le Quesne, the former chairman of the Monopolies and Mergers Commission, has been appointed to look into the Department of Trade and Industry's handling of the Barlow Clowes affair.

The terms of reference indicate that he will be able to examine the whole of the department's involvement with the Barlow Clowes investment business.

This will involve going back to 1983 and will cover the circumstances leading up to the grant and renewal of a licence as a deposit-taker as well as its recent collapse owing £190m to investors.

Sir Godfray's appointment was announced yesterday by Lord Young, the Trade and Industry Secretary. This followed parliamentary exchanges on Monday when peers and MPs expressed concern about the lengthy period before the department took action against Barlow Clowes despite a series of warnings.

Sir Godfray, 64, is a barrister who served as chairman of the Monopolies and Mergers Commission between 1975 and 1987. He has been Judge of the Courts of Appeal of Jersey and Guernsey since 1964.

No time limit has been fixed for the inquiry, which is unprecedented. It is on a non-statutory basis and differs from the formal tribunal of inquiry into the collapse of the Vehicle and General insurance group in the early 1970s.

Ministers have said civil servants are expected to co-operate fully, though they will not be required to give evidence under oath and will not be granted immunity from any subsequent disciplinary action.

The detailed terms of reference are "to investigate and establish the facts relating to the exercise by the DTI since January 1, 1983, of its regulatory functions in respect of the carrying on of investment business by Barlow Clowes and Partners and its successors, Barlow Clowes Gilt Managers, and if appropriate, by Barlow Clowes International, with particular reference to the need for licences under the Prevention of Fraud (Investments) Act 1958, the granting and renewal of such licences and the monitoring of the activities of the licence holder; and to provide a report as soon as possible."

Ministers yesterday used the establishment of the investigation to brush aside questions from Mr Tony Blair, the opposition Labour Party's trade spokesman, about the extent of the DTI's knowledge of problems at Barlow Clowes.

He asked whether the DTI had been warned by the National Association of Security Dealers and Investment Managers about possible illegal trading prior to the issue of a securities licence, and when the DTI first knew that Barlow Clowes was operating in a manner likely to give concern to investors.

A.H. Hermann examines the affair's complexities

Inquiry may open Pandora's box of legal problems

THE INDEPENDENT inquiry into the licensing of the Barlow Clowes investment group by the DTI is likely to concentrate on three issues.

First, there is the question of licensing yardsticks. Second, should the licence have been renewed when the group was already under investigation? Finally, how the suspension of business and seizure of assets ought to be timed in order to balance the interests of new and old investors.

In addition, a whole Pandora's box of legal problems will be opened if the inquiry should lead to prosecution of civil servants.

On the first question of licensing yardsticks, one will have to ask whether a suspect company ought to be given the benefit of doubt as long as the suspicion has not been proved.

The purpose of the legislation – protection of investors – would speak for a reversal of the burden of proof, meaning that no company ought to be licensed unless it can prove beyond reasonable doubt that it can manage investments entrusted to it honestly and competently.

The second and third likely points of the inquiry are closely connected. The suspension of business achieved either by refusal to renew the licence or by seizing of its assets will protect potential investors by warning them off, but it may, under some circumstances, deprive the existing investors of the chance that their losses will be reduced by a discreet rescue operation.

This dilemma of the regulatory body has been considered by the German Federal Supreme Court in the case of the great Herrstatt scandal which caused an upheaval in the German banking world. The decision recognised the need for a balancing act but reprimanded the Federal Banking Office in Berlin for insufficient activity and communication in its investigation.

Civil servants have been subject to DTI company investigations before, particularly in connection with leaks leading to insider trading. The appointment of an independent investigator to inquire into activities of a government department is a novelty.

The Government probably considers such an inquiry more manageable than one under the Tribunals of Enquiry Act, 1921. Lord Young made certain reservations on the publication of the resulting report and these should enable him to cut out anything protected by the Official Secrets Act.

The situation would become more complicated if the inquiry led to prosecution of civil servants. In order to be able to defend themselves, they would have to be released from the restrictions imposed by the Official Secrets Act.

If the Government were not ready to do so, a fair trial would become impossible. The most likely practical outcome would be plea-bargaining, the accused giving up part of their defence in exchange for a lower classification of the offence.

UK NEWS

All-party committee criticises Forestry Commission

'More should be done' on acid rain and aerosols

BY JOHN HUNT

AIR POLLUTION, including related phenomena such as acid rain, is a major factor in damaging forests, a report published yesterday by the all-party House of Commons Environment Committee says. The Committee also criticises the Forestry Commission, which has overall responsibility for forestry promotion in Britain, for refusing to accept such a connection.

The Committee says it is satisfied that atmospheric pollution is a major stress factor which, in combination with frost and drought, would harm trees.

"The Forestry Commission stands alone in its refusal to accept a nexus between air pollution and tree damage," its report states. "The health of Britain's trees gives us cause for concern. The maximum efforts must be made now to eliminate the emissions from fossil fuel combustion into the atmosphere." The committee's report on air pollution also describes the threat to the ozone layer around the earth from chlorofluorocarbons (CFCs), which are contained in aerosol sprays, plastic foam and refrigerators, as "urgent and alarming."

It wants to to tighten the Montreal agreement on reduction of CFC emissions and recommends that a ban on their use in the manufacture of aerosols in Britain should be considered, except where medical uses are concerned. The report urges the Government to join the "30 per cent club" of countries committed to reducing sulphur dioxide emissions by 30 per cent by 1993. So far Britain has strongly opposed such a move.

It would mean the Central Electricity Generating Board would have to expand its costly programme to remove sulphur from power station emissions. Its present plans to fit three existing power stations with desulphurisation equipment would have to be doubled, raising the cost of the exercise from $600m to £1.2bn.

"We have concluded that the CEGB programme is still not enough," said a press statement from the Committee.

The 30 per cent proposal has annoyed environmentalists, who see it as a retreat from an earlier report by the same Committee that endorsed an EC proposal to reduce sulphur dioxide emissions by 60 per cent by 1995.

Nevertheless the criticisms in the report come at an embarrassing time for the Government. Tomorrow Lord Caithness, Environment Minister, will be attending an EC Council meeting in Luxembourg which is due to take crucial decisions on these matters. Britain is eager to rebut allegations that it is "the dirty man of Europe" in environmental matters.

The Government can, however, take comfort from the Committee's conclusion that the draft EC legislation on air pollution would be unfair to Britain and its coal industry and could not be implemented.

The report does not go far enough for some. Yesterday Mr Ken Collins, Labour's environment spokesman in the European Parliament, described it as "a disorderly and shabby" retreat from the Committee's previous position on acid rain. Mr Charles Secrett, campaigns co-ordinator of the environmental pressure group Friends of the Earth, called it "a step backwards."

Environment Committee, Air Pollution, HMSO, £11.30.

Eurotunnel shortlists bidders for £250m rolling stock deal

BY ANDREW TAYLOR

EUROPEAN and Japanese railway equipment manufacturers have been shortlisted to tender for contracts worth £250m to design and build shuttle locomotives and wagons for Eurotunnel, the Anglo French Channel tunnel group.

Five consortia have prequalified to bid for the wagons contract. Another four groups have prequalified to design locomotives for the tunnel.

Contracts for about 400 shuttle wagons and 40 locomotives, which will be used to carry road vehicles inside the tunnel, are expected to be placed in March next year.

The shuttle trains, which will be operated by Eurotunnel, are separate from a £400m order for through trains which will also use the tunnel and are to be ordered by British Rail and SNCF and SNCB the French and Belgian state-owned railways.

British Rail and SNCF have acquired the right to use up to 50 per cent of the capacity of the privately-owned Channel tunnel.

Among the groups bidding for the wagons contract is a Japanese consortium which includes Mitsubishi Electric Corporation, Hitachi, Toshiba and Kawasaki Heavy Industries.

Other bidders are: a West German consortium of Linke-Hofmann-Busch and MAN Gutehoffnungshutte, an Italian consortium of BREDA Costruzioni Ferroviarie and Fiat, a European consortium of Brush of the UK, ANF Industrie of France and Constructions Ferroviaires & Metalliques of Belgium and ABG consortium of British Rail Engineering and GEC Transportation Projects from Britain and Alsthom of France.

ABG has also prequalified to bid for the wagons contract. The Japanese consortium of Mitsubishi, Hitachi, Toshiba and Kawasaki has similarly prequalified for both wagons and locomotives contracts.

Other bidders to prequalify for the wagons contract are Siemens of West Germany and a consortium of Brush of the UK and ASEA Brown Boveri the merged Swedish/Swish engineering group.

The prequalifiers will be expected to produce basic designs and mock-ups for the wagons and locomotives. Detailed designs, and the supply of a prototype will later be sought from those still in the race, says Eurotunnel.

Electricity computer order may go to US

By Maurice Samuelson

POWERFUL computers to control the distribution of electricity into the next century are expected to be ordered in the US rather than the UK, electricity industry sources said last night.

Technical staff at the Central Electricity Generating Board are understood to favour the system offered by Control Data Corporation of Minneapolis rather than a rival US-designed package developed by Ferranti, based at Wythenshawe in Manchester, north-west England.

Although worth only £20m to £30m, Ferranti's loss of this order would be a serious blow to the British computer industry's prestige. Manchester MPs are trying to persuade the Government that the order should be placed locally.

The CEGB's main board is expected to make the final choice this week. Barring a last minute surprise, the letter of intent will go to CDC.

The computers, for controlling bulk transmission of electricity through the National Grid distribution network, will take four years to instal and will not be operated until the board hands over the grid to a new private company, acting on behalf of the 12 area distribution companies.

The board began work 11 years ago on a system for replacing computers installed in 1969, but ran into long overruns and rising costs from an original estimate of £19m to nearly £100m.

A Monopolies and Mergers Commission report spoke in July of the CEGB's "serious lapse in an otherwise good record of efficiency and service to the customer in the transmission of electricity."

On the commission's recommendation, the CEGB decided to invite outside computer companies to supply both the programmes and the computers for a new grid control centre, being built at Wokingham, Surrey, south-east England, and at four regional control centres.

Ferranti, which employs 1,800 people at Wythenshawe, recently won a contract for the computers to run the Belgian National Grid.

McVeigh affair hits Anglo-Irish relations like a tidal wave

BY KIERAN COOKE IN DUBLIN

THE FAILURE of the British Government's application for the extradition of Mr Patrick McVeigh from Ireland has come as something of a tidal wave, following months of difficult discussions over new extradition arrangements passed by the Irish Parliament, or Dail, late last year.

In London the decision has generated almost as much shock and annoyance as England's defeat in the European Cup by the Irish soccer team last Sunday. In Dublin there is embarrassment.

Mr Desmond O'Malley, the leader of the minority Progressive Democrats Party, said yesterday that the whole extradition process between Ireland and Britain was now in jeopardy. Mr Tom King, Britain's Secretary of State for Northern Ireland, meanwhile described the court's decision as a "significant setback" and said the matter would be raised at the next meeting of the Anglo Irish conference.

Mr Ian Paisley, leader of the Democratic Unionist Party in Northern Ireland, said the court's decision showed that Dublin's commitment to fighting terrorism was "a colossal confidence trick".

Ironically, however, Justice Jurlath Ruane's decision had little to do with Ireland's new extradition arrangements.

His judgment focused only on the question of identity. Justice Ruane said that no evidence had been provided to prove that the person in court, namely Mr McVeigh, was the same person named in the extradition warrant.

Both the Irish and British authorities say they did everything normally done to establish identity. But whatever the rights and wrongs of the judgment, there is little that can be done in the short term. The appeal against the decision, announced by Mr Collins yesterday, will probably take a considerable time. Mr McVeigh, who was arrested last month to face extradition after serving seven years' imprisonment in the Republic for terrorist offences, is now a free man.

If the appeal fails, fresh extradition warrants will have to be prepared by the British authorities. Mr McVeigh, whose home address is in Belfast, in Northern Ireland, will then have to be found.

Mr Gerry Collins, Irish Justice Minister, said yesterday that he planned to appeal against Monday's rejection by an Irish District Court of a British application for the extradition of Mr Patrick McVeigh, who faced charges in connection with a number of IRA bombings in London in the early 1980s, writes our Dublin correspondent.

He told the Irish Parliament that the District Justice's rejection of the application, on the grounds that Mr McVeigh's identity had not been sufficiently established, would set new precedents on how much evidence of identification was required in future cases.

He said this was an individual judicial decision and that Ireland's new extradition procedures, only recently brought into force after difficult negotiations with London, were not involved.

There is no doubt of the exasperation felt in Dublin about this recent turn of events. In the past it was the British judiciary, and not the Irish, which was deemed to be at fault in holding up and creating difficulties in a number of extradition cases. Britain had also objected to clauses in the new Irish extradition legislation which insisted that the British Attorney-General provide his Irish counterpart with evidence of offences committed by those wanted in the UK.

The arguments between the two sides were only settled recently. Mr McVeigh was the first person to be arrested since the issue was resolved and the British Attorney-General agreed to work the new procedures.

In time Monday's decision might come to be regarded as a judicial peculiarity rather than a direct slap in the face for Britain. By announcing so quickly that it is to appeal against the decision, the Irish Government is clearly seeking to limit the extent of damage caused.

Others have, however, been quick to make political mileage out of the affair. A member of the Sinn Fein, the IRA's political wing, refered back to the weekend's surprise football result. "It's our second victory over England in 24 hours" he said.

UK NEWS

Government 'Spycatcher' appeal begins

Spy book 'could be first of many'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE GOVERNMENT has begun its final attempt to enlist the support of the courts in its battle to stop newspapers publicising the revelations of former members of the security services such as Mr Peter Wright, a former MI5 officer whose memoirs, Spycatcher, have become a bestseller.

Five senior civil judges sitting in the House of Lords were told yesterday that the Government feared an "open season" for breaches of confidentiality by former members of the security service if the principle that they had a lifelong obligation not to talk about their jobs was not upheld.

Mr Robert Alexander, advocate for Sir Patrick Mayhew, the Attorney-General, said that 10 or more people were planning to write books about their own or their close relatives' work with the security service and that newspapers were willing to give publicity to them and "follow up the story."

The Government is appealing against the refusal of the High Court and Court of Appeal to impose a blanket ban on the British media publicising or commenting on Mr Wright's allegations.

It wants the Law Lords to make permanent the temporary injunctions granted against the Observer and the Guardian in July 1986, and the Sunday Times in July 1987.


Mr Peter Wright and his wife yesterday

Mr Alexander said that it was sometimes asked what was the point of seeking to restrain further publication now that Spycatcher had been published in the US and elsewhere outside Britain, and many copies had come into the UK.

That approach, he said, did not give sufficient weight to the principle in issue, which remained as valid as it had been in September 1985, when the Government had gone to court in Australia to try to stop publication there of Spycatcher.

If the newspapers were now permitted to publicise the book because it had been published abroad, he argued, "our law will, in effect, bow to the laws of those countries which have permitted publication."

Mr Alexander said the Government was not seeking a complete ban on mentioning Mr Wright's allegations, which were now well known and had been summarised in the High Court judgment last year in the newspapers' favour.

It was, however, claiming a further injunction designed to prevent the media publishing accounts by other ex-members of the security services dealing with Mr Wright's allegations.

There was evidence, Mr Alexander said, that others "sharply and deeply" disagreed with Mr Wright's version of events and would like to publish their own versions, that there were newspapers willing to publicise and follow up the story, and that this was being held up only by the present appeal.

Mr Alexander said other former members of the security service were also seeking to publish books about aspects of their work. They included two former employees of GCHQ – the Government Communications Headquarters in Cheltenham – against whom injunctions had been obtained.

The hearing, which is expected to last two weeks, continues today.

French group buys Lucas subsidiary

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

LUCAS INDUSTRIES, the automotive and aerospace components group, said yesterday that it had sold its Crosland Filters subsidiary to Précision Mécanique Labinal of France for an undisclosed sum.

Crosland Filters makes air, fuel and lubricating oil filters for the motor industry and employs 700 at its base in Nottingham, the Midlands, and another 50 in the Netherlands and the Middle East. The divestment is not expected cost jobs.

PM Labinal is a leading European filters maker and will add Crosland as a subsidiary. It will still supply the Lucas Service network with Crosland filters.

The sale of Crosland is the latest in a series of divestments that have marked Lucas's gradual withdrawal from mature, loss-making or low-margin businesses to concentrate on higher added components in which it has a technological edge.

Earlier this year it completed its withdrawal from the automotive lighting business by selling its 40 per cent stake in Fausto Corello, the Italian car lighting group, to Fiat, the Italian car maker.

It then partially withdrew from the car battery business by setting up a joint venture with Yuasa, the Japanese car battery maker, to run its Birmingham car battery plant, and last month announced the sale of its plastics components business to Wolters Schaberg, the Dutch industrial group.

Lucas said its strategy was to concentrate on braking systems, diesel systems, engine management systems and body systems. The stock market, meanwhile, is expecting news of a substantial US acquisition on the aerospace side following the rights issue in March which raised £162.7m.

Shipyards chief cool over break-up plan

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE CHAIRMAN of British Shipbuilders, the state-owned corporation, distanced himself yesterday from the Government's plans to break up the group by privatising most of its subsidiaries.

Mr John Lister told a House of Commons committee he did not see the logic of the Government's proposals while the corporation's prospects continued to improve.

His comments underline a rift between Government and the corporation's management, which would prefer to see it privatised as a single business.

This has been rejected by Mr Kenneth Clarke, the Industry Minister, who wants to end the flow of public funds into the corporation which has accumulated losses of £1.8bn since 1979.

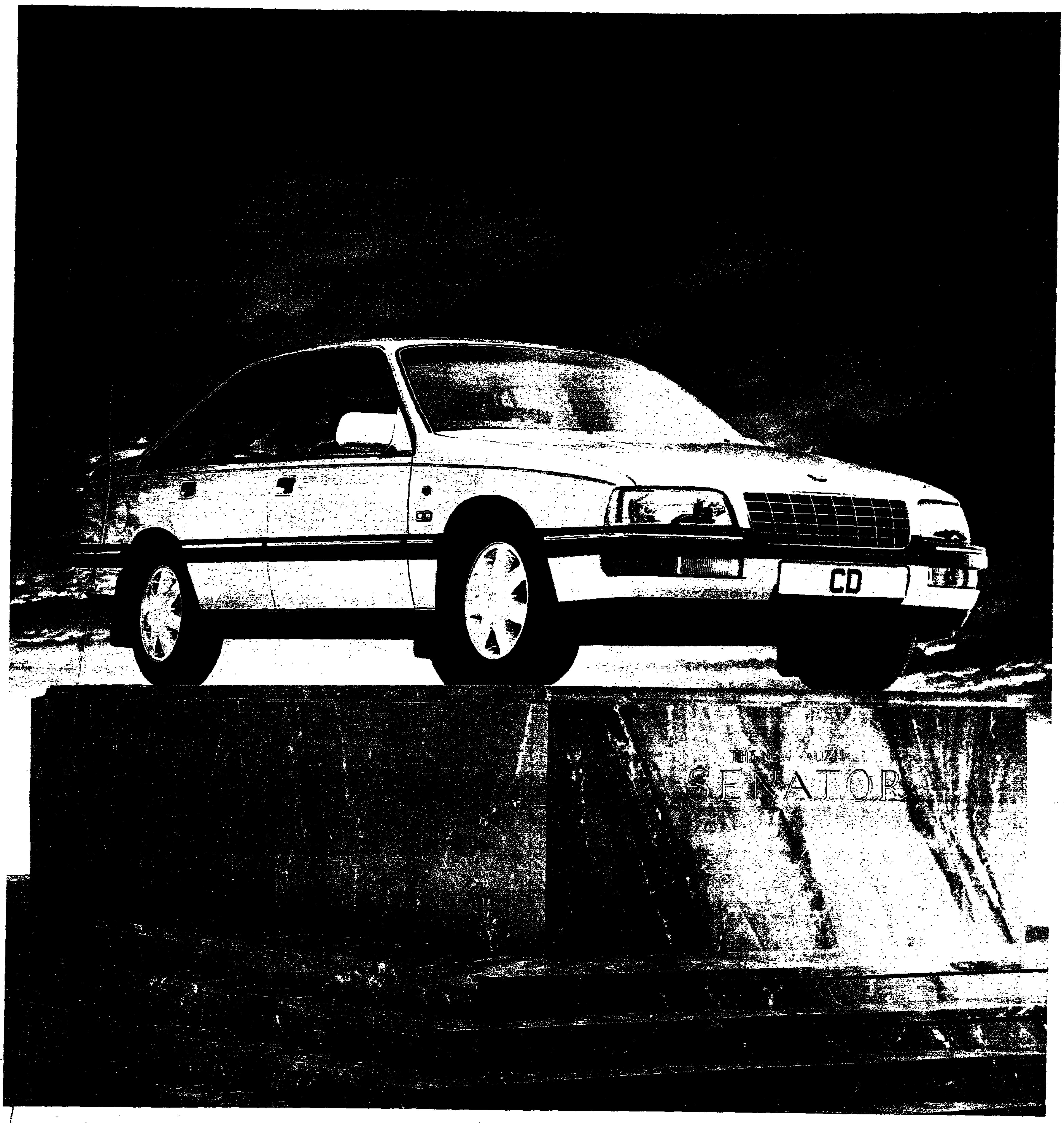
Mr Lister said talks on the sale of Glasgow's Govan yard to Kvaerner Industrier of Norway would be completed in weeks.

Other parts of the business likely to be disposed of before the end of the year are: Devon-based Appledore Ferguson, which builds dredgers; the Clark Kincaid engine works, in Greenock; and a marine design consultancy.

Mr Lister did not to oppose the sale of Govan outright, but he stressed that it was not a British Shipbuilders initiative.

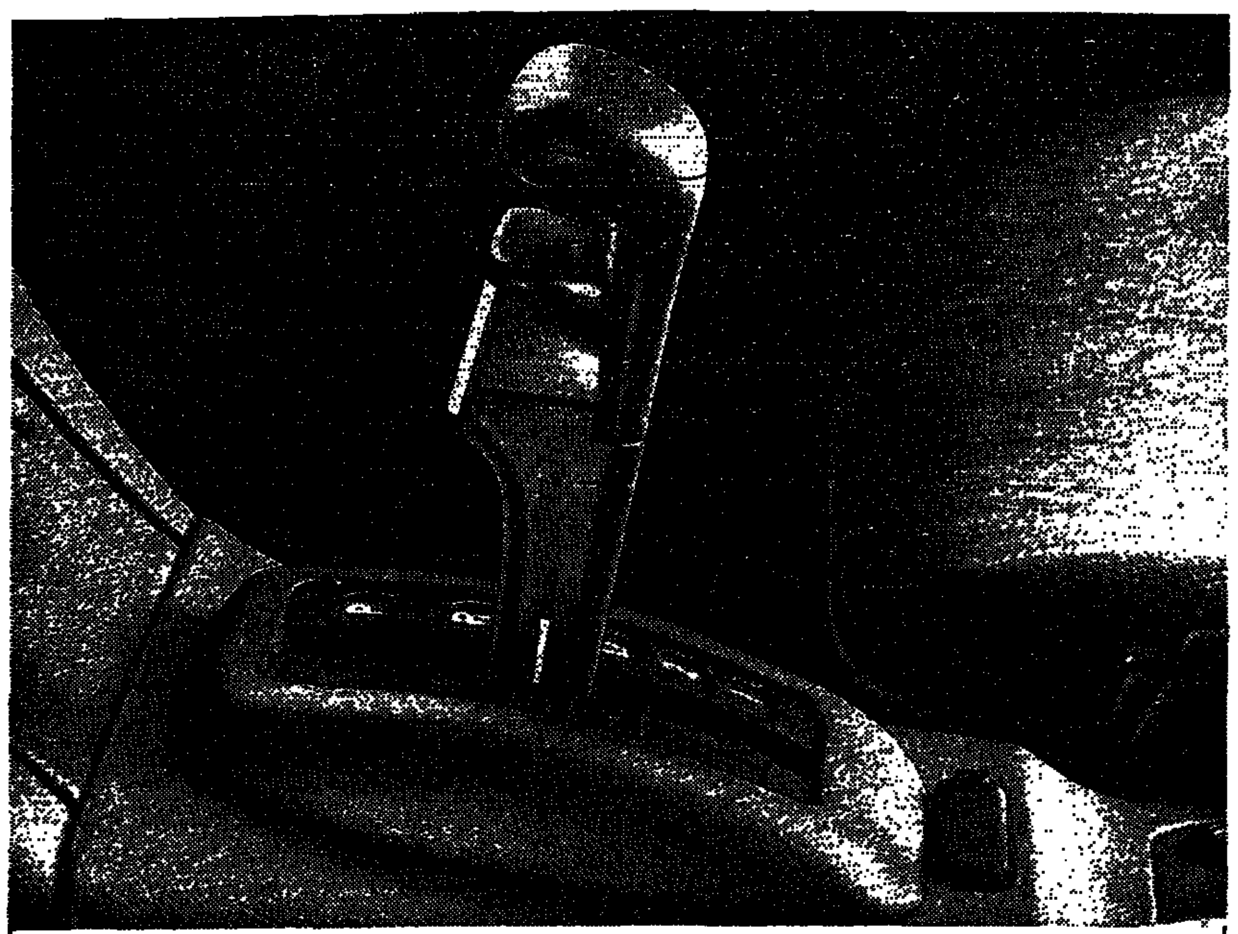
When asked if he envisaged on appointment that he would preside over the corporation's fragmentation, Mr Lister said: "No, I would not have joined. I thought my job was to turn it round and make it viable." He said British Shipbuilders could break even in five to six years in its present form assuming prices and orders continued their present rise.

The removal of one yard from the corporation would reduce its volume below the point at which it could support the research and development required to stay competitive, he said.



"AT £21,000 I'D EXPECT AT LEAST TWO OF EVERYTHING."

SO BE IT.



THREE GEARBOXES.

Over the years, people have come to expect a lot from Vauxhall cars.

None have been particularly expensive. Yet at each price level, few cars have matched them for value.

How then will the new Senator be received?

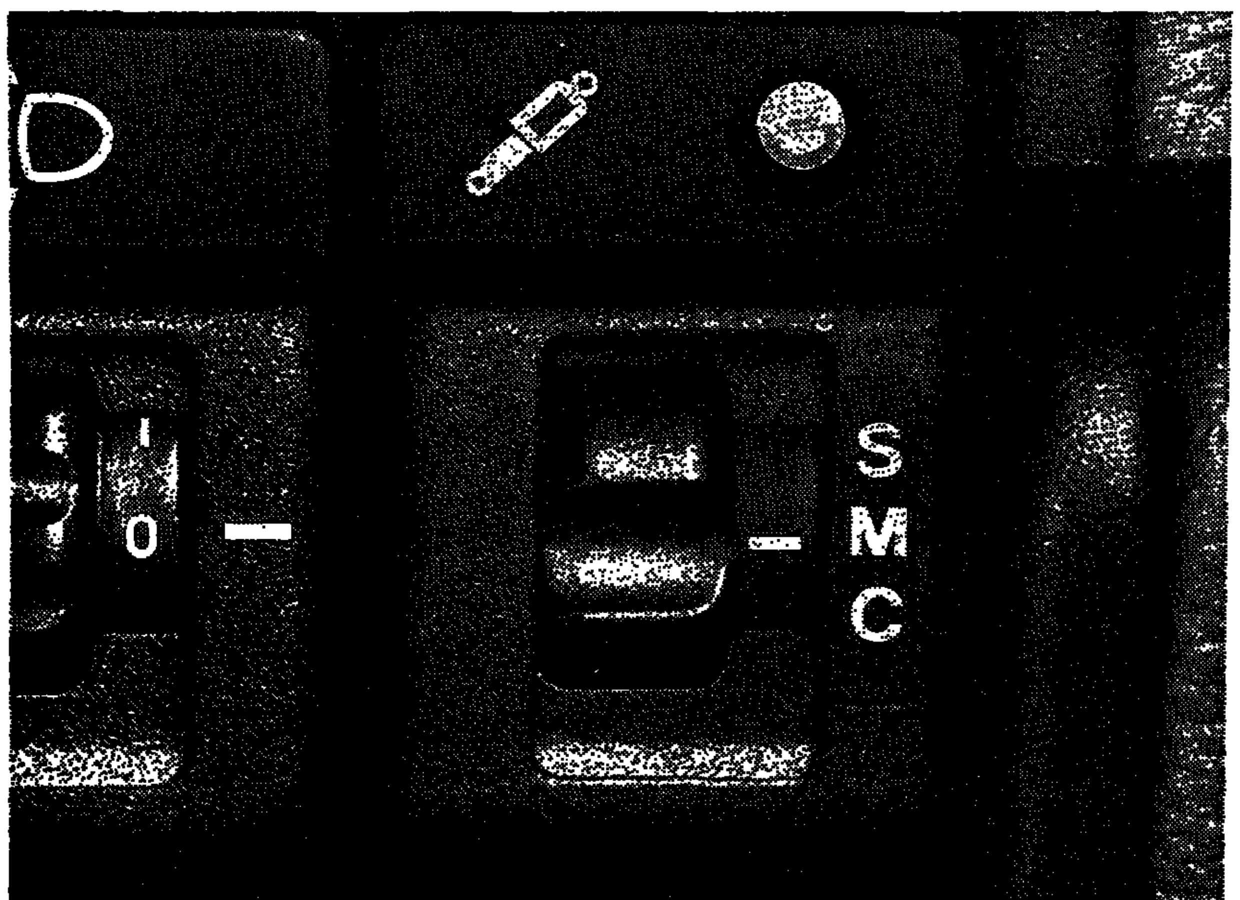
It replaces a car that had a fine reputation.

It has taken £700 million and 6 years to produce.

And at almost £21,000 for the CD version, it is the most expensive Vauxhall ever.

Expectations must be high indeed. Does the car live up to them?

Well, Frank Page in the Mail on Sunday described the Senator CD as "the car with everything."



THREE SUSPENSIONS.

A fair appraisal if only it didn't imply the Senator has just one of everything.

In fact there is far more to it.

The gearbox on the 3.0i CD, for instance, is no ordinary four-speed automatic. It allows you to alter the gearing to suit your mood or the road ahead.

Engage 'Economy' and the gears change up early to save on petrol.

Into 'Power' and each shift is at higher revs to make the most of the Senator's performance.

Switch to 'Winter' and you pull away smoothly in third gear, thereby avoiding wheelspin starts on snow and ice.

And because a computer matches the revs to the gear ratios, you glide through the gears with barely a murmur.

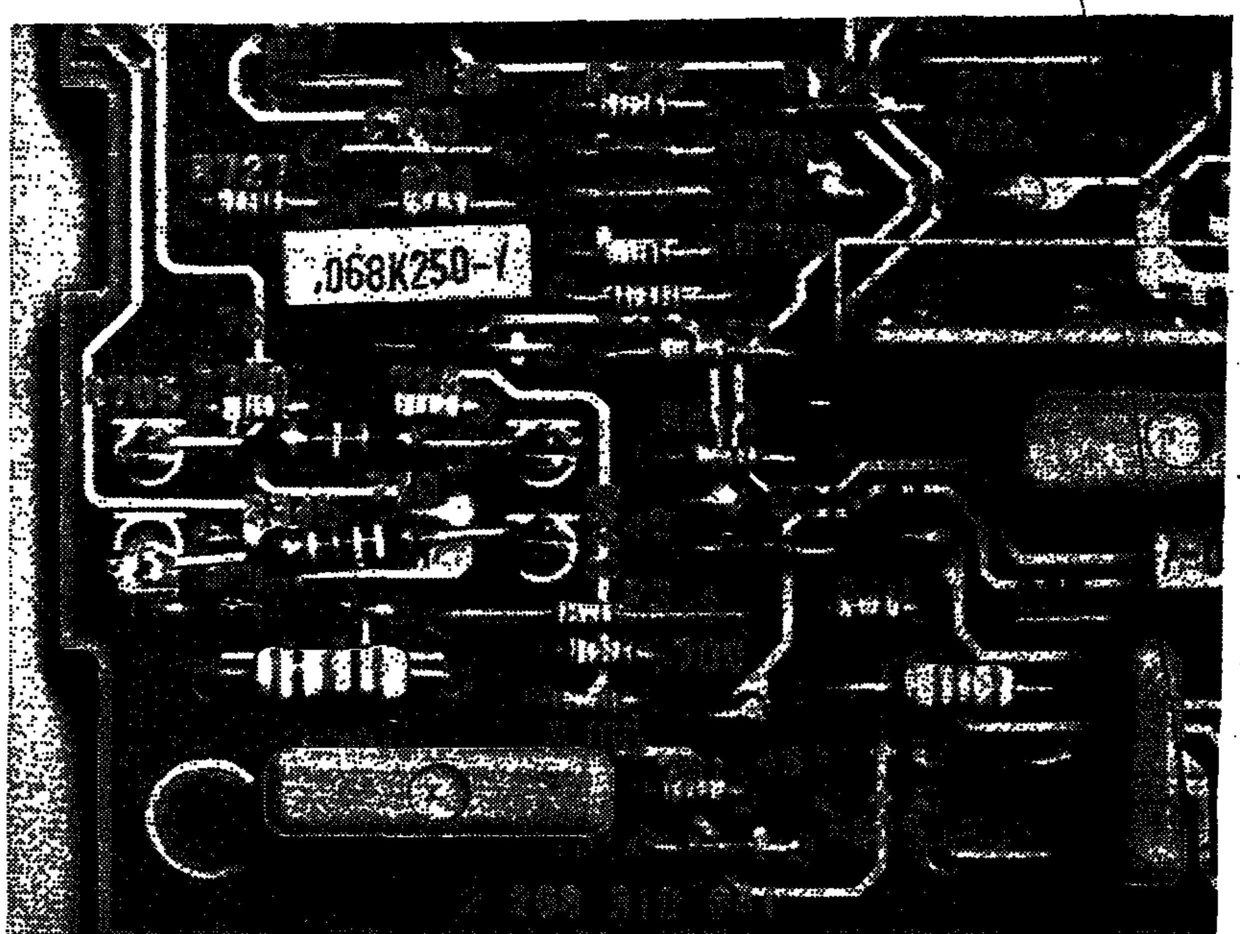
The engine too is the epitome of smoothness. Both the 2.5 and 3.0 have the very latest Bosch fuel injection and a six cylinder layout renowned for quiet efficiency.

Few rivals can muster their power. Or equal their top speeds of up to 130 mph and 137 mph respectively.

As Motor magazine says "the Vauxhall delivers its performance in a truly civilised manner."

It delivers you to your destination in similar fashion.

The Electronic Ride Control system contributes



TEN COMPUTERS.

to an unruffled journey by allowing you to adjust the suspension.

Flick the switch to 'Comfort' and the ride softens so that rough roads pass unnoticed.

Change to 'Sports' and a firmer ride allows you to fully appreciate the handling.

Select 'Medium' and you have the best of both worlds, a ride that is controlled and comfortable.

"The smoothness as well as the quietness of the ride bears comparison with the best class standards" was Autocar's verdict.

They were equally impressed by our new approach to suspension design.

It's called Advanced Chassis Technology, and in an emergency manoeuvre, such as a lane change at speed or sudden braking, it can mean the difference between losing control and staying on course.

Our brakes won nothing but praise from Motor. (Discs all round with ABS on the Senator CD.)

"The fade-free power and progressiveness of the system are beyond criticism. Full marks again."

The feeling of security is enhanced by the steering.

Power steering, naturally, but it is speed-sensitive to give you easy and positive control at all speeds.

VAUXHALL IS BACKED BY THE WORLDWIDE RESOURCES OF GENERAL MOTORS. PRICES INCLUDE CAR TAX AND VAT BUT EXCLUDE DELIVERY AND NUMBER PLATES (MUD FLAPS OPTIONAL EXTRA). D.O.T. FUEL CONSUMPTION TESTS MPG (LITRES/100KM) 3.0i AUTOMATIC: CONSTANT

Rogue elephant at the Hague

By Celia Hampton

THE EUROPEAN Commission in Brussels has long dropped any idea of being the universal policeman of European Community competition law. It seeks instead to make examples of what it considers to be especially pernicious behaviour.

Business might not regard the European regime as benign, but an accommodation has been reached on some matters that enables businessmen occasionally to collaborate in the fairly certain knowledge that the Commission will let them get on with it.

This modest element of certainty is no longer safe. A rogue elephant has entered the jungle – the Sixth Chamber of the European Court of Justice. It pursues a ruthless course in search of logic, and tramples down the fences which the Commission has allowed to be built around it.

The Philip Morris case last November[1] was its first serious adventure. It ruled that any anti-competitive terms agreed between competitors are illegal despite the fact that the purpose of the agreement is a transfer of company ownership.

This surprised everyone, including the Commission which, until publication of the judgment, seems to have assumed as most others did that dealings in the ownership of companies took the whole agreement outside the scope of the restrictive practices rules.

The Sixth Chamber has now stormed several more of the fences confining the Commission. Mr Jean-François Verstrynge of Commissioner Sutherland's private office spoke[2] of its recent judgment as "dangerous."

The case[3] involved French legislation of 1904 on funeral directors. The communes (local authorities) took responsibility for burial but could grant a concession to a private firm to provide the actual services. The firm would be given exclusive rights in the area.

Mme Bodson was a funeral director under a franchise from M Michel Leclerc, an entrepreneur renowned for his low prices. She was stopped by a court order from offering her services on the complaint of a local concessionary. This firm was a subsidiary of Pompes Funèbres Générales (PFG), itself a subsidiary in the Lyonnaise des Eaux group.

Between them, PFG subsidiaries had the exclusive concession in 9 per cent of French communes, but covering about a third of the population of France. Their prices were higher than Mme Bodson's.

Uncontroversially, the Sixth Chamber of the European Court ruled that any anti-competitive aspects of the concession agreements between the communes and the funeral directors were outside the prohibition of restrictive practices under *Article 85* of the EC Treaty since they were entered to perform one of the communes' public duties.

The fact that the concession agreements themselves required the concessionaries to charge certain prices, however, was no defence to a charge of abusing a dominant position by unequitable pricing. *These are not surprising rulings.*

Much more surprising was the Sixth Chamber's decision to change the basis for judging whether the internal behaviour of a group of companies is outside the scope of the competition rules – the theory of the "economic unit."

Where subsidiaries in a group have no power to decide on their own course of action, and where inter-group restrictive practices achieve a distribution of tasks between the group's component parts, the group is treated as a single unit. As such it is not expected to compete with itself, so the prohibition of anti-competitive behaviour under Article 85 of the Treaty does not apply to its internal arrangements.

The Chamber did not contradict the idea, but said that this relationship of interdependence has to be proved to exist in every case. This will add greatly to the factual matters which business has to prove, and opens new avenues of potential Commission interference. It could justify the Commission's inquiring into suspected "conspiracies" between subsidiaries in a group and their "conspiracies" with the parent company.

This ruling was, moreover, wholly unnecessary. It did not form part of the court's core reasoning. The judgment immediately went on to deal with the dominant position of the PFG companies, and for this purpose proceeded on the assumption that they did in fact form an economic unit. Whether unity was or was not to be proved was extraneous to the argument.

Also dangerous to accepted thinking is the judgment's treatment of "trade between member states" – a concept which gives the Commission power under Article 86 to investigate what might otherwise pass as a matter for the national competition authorities, if at all.

A single EC country's market can be restricted in a way which will involve EC law if someone from another EC country might wish to compete in the supply of goods or services in that market – a broad base from which to start.

An abuse of a dominant position has to affect a substantial part of the EC market for the Commission to be interested. The Commission itself argued in the Bodson case that restriction of a mere 9 per cent of the French market would not have a perceptible impact on EC competition.

The judges disagreed, saying that PFG's monopoly was greater in terms of population. They also said that the competitive structure of the market has to be looked at to decide whether a competitor from another EC country wishing to compete could do so freely.

This is so broad that it would seem that even something quite local could be caught by the EC rules.

The judgment suggests various criteria for deciding whether dominance of the market exists and whether the group exercises sufficient economic power to affect the way in which independent competitors might behave.

These include the importance of the part of the market in which the group is wholly sheltered from competition, as well as the advantages conferred by the monopoly in the conduct of other business (the supply of funeral flowers, for instance), the group's position in places where it has not been granted monopoly privileges, and its financial resources.

The enterprises involved in the dominant arrangement might all be members of one group, but could be independent operators collectively enjoying dominance of the market.

In order to be in breach of the rules under Article 86, the enterprises must abuse their position. Clearly this can be done by charging customers unfair prices.

The judgment suggests a simple way of assessing this – compare the prices charged in the places where there is an exclusive concession with the prices in other places.

The rule is somewhat wayward because this method of calculation was rejected in 1975 in the United Brands case, when the Court ruled that the Commission must first analyse the supplier's costs. The Sixth Chamber's apparent reversion to the old method will make the Commission's sums a lot easier to work out.

The Chamber also ruled that Article 90 of the EC Treaty, which regulates the behaviour of public undertakings and allows the Commission to take direct action to enforce their good conduct, applies to the sort of exclusive arrangements provided by private firms of undertakers under the French legislation.

This confirms the breadth of that article and will give the Commission some useful support in its action against public monopolies, such as the telecommunications authorities, where last month it adopted a policy of direct action despite the disapproval of the Council of Ministers.

The judgments of the Sixth Chamber in the Philip Morris and Bodson cases pose a considerable threat to any certainty in deciding what the law is. Both rulings are terse to the point of opacity and state novel propositions in a way which seems to assume that they are perfectly obvious.

That they represent logical extensions of the rules is undeniable, but they also alter accepted theory and practice in a way which makes one wonder if the change was wholly intended.

It is significant that a senior member of the Commission staff should say that the Court is going further and faster than the Commission; where the Court leads, the Commission will surely follow, especially where it is plainly of so much benefit to its policies.

Mr Verstrynge[2] suggested that the time is ripe for a few test cases – a volunteer to shoot the rogue elephant, perhaps.

[1] *Cases 142 & 156/84, FT Business Law Brief, December 1987.*
[2] *European Competition Policy and Your Company, Management Centre Europe, Brussels (Rue Caroly 15), May 30-June 1 1988.*
[3] *Case 30/87, Bodson v SA Pompes Funèbres des Régions Libérées (unreported), May 4 1988.*

Treasurer at Esso UK

ESSO UK has elected Mr R.E.Penn as treasurer from July 1. He is area manager Middle and Far East in the treasurer's department of Exxon Co International and succeeds Mr Chris Potter who is to take up an assignment with Exxon in the US.

★

PROFILE INFORMATION, a wholly-owned subsidiary of Financial Times Business Information, has appointed Mr Robin Oliphant its managing director. He was previously with Windsor Television as director of sales and marketing – cable services.

★

At the UNION BANK OF FINLAND, London branch, Mr Charles Bailey has joined as trade finance manager. He comes from the global trade services department of Midland Bank, where he led the team responsible for financing export contracts undertaken by the UK construction industry.

★

Mr Alan Fitzjohn, marketing director of Bacoglaze Systems, has been elected president of the ALUMINIUM WINDOW ASSOCIATION for the next two years.

★

Mr Kim Taylor-Smith, commercial director and company secretary, has been appointed to the board of FINLAN. Mr John Finlan, the founder of the group, and Mr Gerald Ames, former managing director, are both leaving the board. Mr Elliott Black, senior partner of Black, Graf and Co, is also resigning from the board due to other commitments.

★

THAMES WATER has made Mr John Hurcom its operations director. He joins Thames from British Telecom where he has been district general manager, Solent, for the past four years.

★

EMERSON ELECTRIC CO has made Mr Graham Wilson president of the Rantec division and Mr A.E. Jordan managing director of the industrial controls divison. Mr Wilson was managing director of Emerson Electric (UK) and Mr Jourdan managing director and group operations director of Prestcold, a Copeland company.

★

OCCIDENTAL has appointed Mr Glenn Shurtz as president, Occidental Petroleum (Caledonia). He will be responsible for all aspects of the company's UK operations. He replaces Mr Joseph Snape who has been appointed president and general manager of Occidental de Columbia.

Reorganisation of Lloyds Merchant Bank company

Following a review of corporate structure, LLOYDS INVESTMENT MANAGERS (LIM) has established five subsidiary companies. *LIM is a subsidiary of* Lloyds Merchant Bank (LMB) and the directors of the LIM board, which has been reconstituted, are also directors of LMB. The LIM board and the boards of the subsidiary companies are as follows:

At Lloyds Investment Managers Mr C.N. Hurst-Brown is executive chairman with Mr P.M.R. d'Adhemar and Mr B.T Ackerman managing directors. Mr R.C.P. Brookhouse, Mr B.C. Clark, Mr R.W. Haines, Mr K.M. Jecks, Mr C.W. Knight and Mr P.J.A. Kysel have become directors.

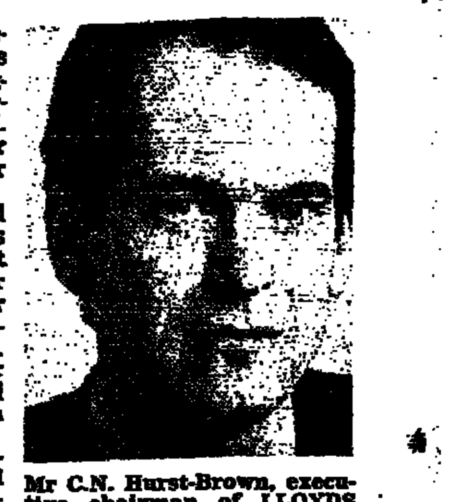
At Lloyds Bank Fund Management (principal activities - open/closed end international funds) Mr Hurst-Brown becomes chairman, Mr Knight, managing director, and Mr Ackerman a director.

Lloyds Fund Management (principal activities - unit trust investment management; UK fixed income treasury management; private client management) has Mr d'Adhemar as its chairman, Mr Ackerman, managing director, and Mr C.G. Anderson, Mr C.P. Crosland, Mr K. James, Mr R.H. Meadows, Mr G.C.A Roads and Mr P.J. Slater directors.

At Lloyds International Fund Management (principal activities - institutional fund management for non-US overseas clients) Mr Hurst-Brown is chairman, Mr Brookhouse and Mr Kysel managing directors, while Mrs S.M. Curtis, Mr I.A. Ebblewhite, Mr A.J. Harris, Mr C.W. Knight, and Mr B.G. Williams have been appointed directors.

Lloyds Investment Management International (principal activities - investment management for US clients) has Mr Hurst-Brown as its chairman, Mr Brookhouse and Mr Kysel as managing directors, and Mrs Curtis, Mr Ebblewhite, Mr Harris, and Mr Williams as directors.

At Lloyds Pension Fund Management (principal activities - pension fund management including direct property management) Mr Hurst-Brown has been appointed chairman, Mr Haines and Mr Jecks, managing directors, and Mr Ackerman, Mr Anderson, Mr Clark, Mr G.J. Hemsley, Mr Kysel, Mr R.J. Prance, Mr K.W. Sands, and Mr Williams, directors.



Mr C.N. Hurst-Brown, executive chairman of LLOYDS INVESTMENT MANAGERS

Changes at N.M. Rothschild & Sons

Mr Bernard Myers will become *managing director (group finance and international)* of N.M. ROTHSCHILD & SONS on July 1 when Mr John Loudon will be relinquishing his executive responsibilities within the Rothschild Group in order to pursue other business interests. Mr Loudon will become a non-executive director of N.M. Rothschild & Sons and will remain a non-executive director of N.M. Rothschild Asset Management. Mr David Sullivan will become managing director (administration) of N.M. Rothschild & Sons on July 1.

★

Mr Guy Billinge and Mr James Curry have been appointed directors of D.H. RIDOUT & SON, a subsidiary of the Bectone Group.

★

Mr Stuart Fraser, head of sales at NATIONWIDE CORPORATE FINANCE, has been appointed to the board.

★

Mr Bill Thewlis, chairman of Wharfedale, has become a non-executive director of CROSSROADS COMMERCIALS GROUP, the Yorkshire distributors for Volvo Trucks.

★

Mr Don Lennard has been made director and chief executive of MARINE TECHNOLOGY DIRECTORATE. He has been acting temporary director and chief executive since December 1987.

★

Mr Bill McGrath has been appointed managing director of WICKES BUILDING SUPPLIES, the Wickes Group's UK retailing subsidiary. He is the founder of Builders Mate, which was acquired by Wickes last year.

★

At the annual meeting of the BANK OF SCOTLAND Mr A. Scott Bell and Mr Norman Lessels were appointed directors. Mr Bell is managing director of the Standard Life Assurance Co and Mr Lessels is a partner in the firm of Chiene & Tait and has been chairman of the Standard Life Assurance Co since March 1988.

★

SCIENCE SYSTEMS has appointed two directors: Mr Bryan Hucker, chief accountant, becomes financial director and Mr John Haynes operations director (Bristol).

★

Mr Rupert Wilkins, managing director of Mitchell and Butlers Central, has been appointed managing director of BASS MITCHELL AND BUTLERS from September 26. He succeeds Mr Charles Darby who will remain as chairman.

★

Mr Paul Cattermull, managing director of Binder Hamlyn Investment Management, has been appointed a partner in BINDER HAMLYN ASSOCIATES.

★

ELECTRONIC DATA SYSTEMS has appointed Mr Clyde W. Ziegler managing director of its UK division to succeed Mr Floyd C. Trim from July 1.

★

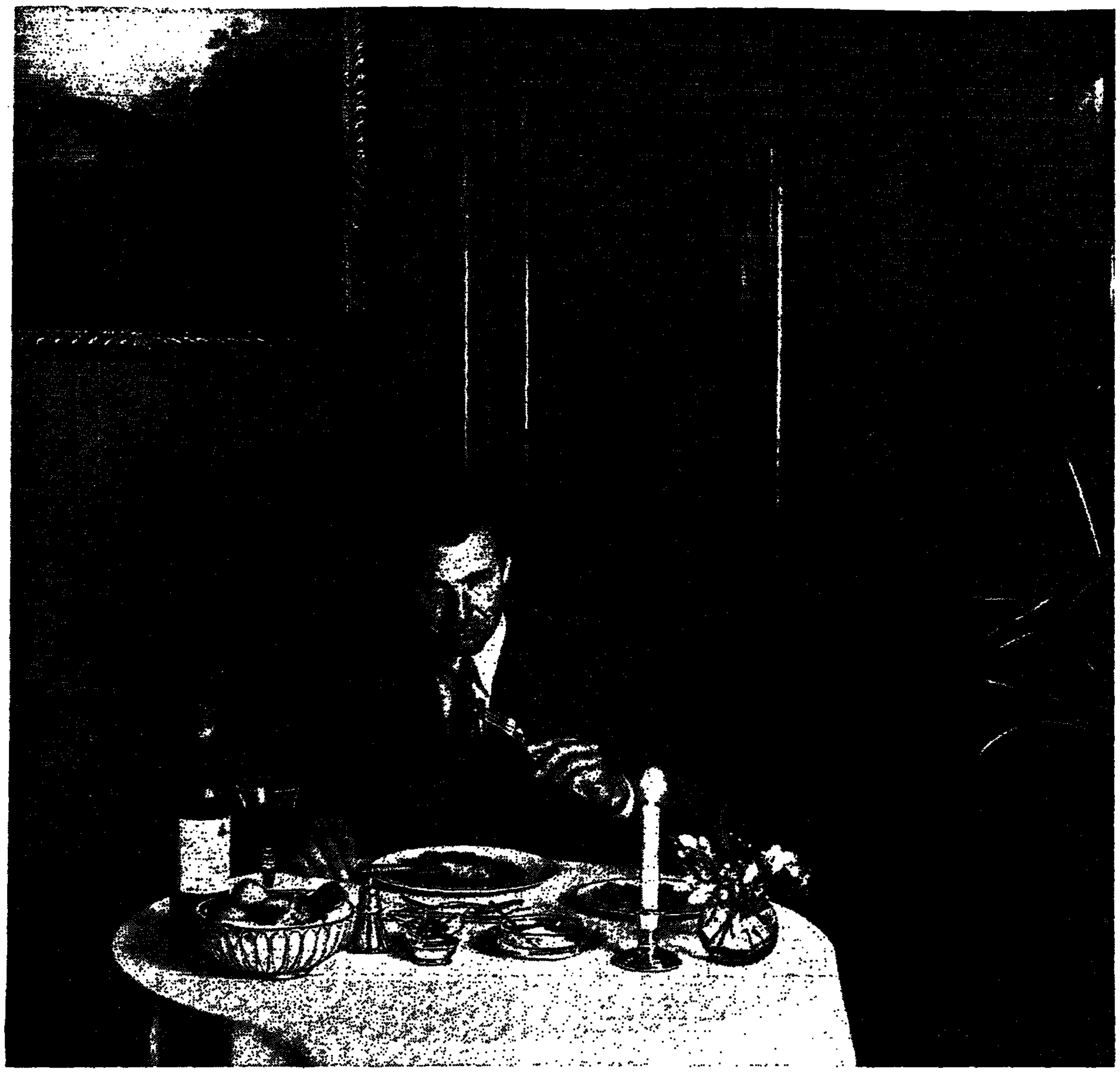
Mr A.M. Thomas has been appointed managing director of BIBBY DISTRIBUTION SERVICES (Holdings), a subsidiary of the Bibby Line Group. He joins from the Unilever company Van den Berghs and Jurgens.

★

At Merrett Underwriting Agency Management Mr Gerry Oitjslager has been appointed property underwriter for Lloyd's syndicate 1068. He joins from CIGNA Corporation.

★

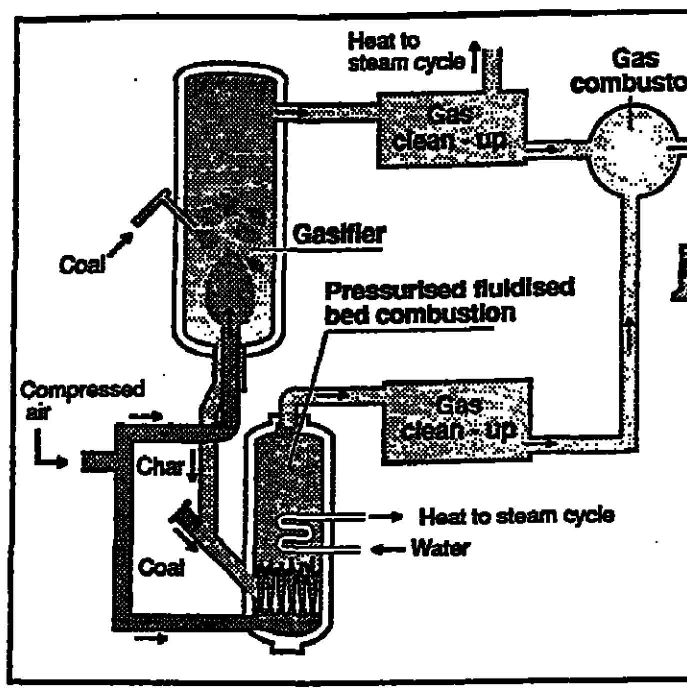
Mr Michael Whitaker has become chairman of the TARGET COMPUTER GROUP. He was head of electronics industry analysis at Chase Manhattan Securities.



TECHNOLOGY

Clive Cookson examines international efforts to make coal a cheaper and cleaner source of fuel for power stations

Cleaner coal warms up for a freer energy market



Proposed topping cycle for Grimethorpe pressurised fluidised bed combustion plant

Source: British Coal

GROWING environmental concern about the pollution caused by traditional coal-fired power stations and uncertainty about the long-term future of nuclear power have prompted an upsurge of international interest in new "clean coal" technologies.

The extent of the world-wide research effort will become clear at the international Clean Coal Conference, sponsored by British Coal, the International Coal Development Institute and the environmental group Friends of the Earth, which is being held in London today and tomorrow.

Meanwhile, the pollution associated with coal burning – particularly acid rain – will be on the agenda at tomorrow's meeting of European Community environment ministers, when the UK Government is likely to come under pressure to accept much stronger controls on power station emissions.

Walt Patterson, the energy consultant chairing the conference session on coal combustion technology, says international enthusiasm for new types of coal-fired power station is growing, but the UK Government and Central Electricity Generating Board (CEGB) have so far shown little interest.

Britain's main experimental plant for advanced coal technology, at Grimethorpe in South Yorkshire, is threatened with closure because the CEGB has decided not to renew a three-year agreement with British Coal to share research costs. British Coal says that it can only contribute part of the £38m required to continue work at Grimethorpe and has asked the Energy Department to help with the rest.

British Coal officials argue that the UK Government spends far less than other Western governments on coal research and development – only 5p per tonne of coal used for power generation, compared with the US Government's 31p per tonne, West Germany's 34p per tonne and Japan's 105p per tonne. "Our national effort on energy R&D is heavily biased towards nuclear power and it is about time fossil fuels got a fair bite of the cherry," says Stephen Dawes, director of Grimethorpe.

For its part, the CEGB says it cannot justify spending more money on Grimethorpe because the process being developed would work well only in relatively small power stations – up to about 300 megawatts (MW). It says it can give UK electricity consumers better value for money by going for economies of scale and building large conventional plants with 900 MW turbine generators, even though these will require expensive "flue gas desulphurisation" (FGD) equipment to reduce sulphur dioxide emissions, one of the main causes of acid rain. FGD plant is expected to add 15 per cent to the cost of the CEGB's next generation of coal-fired stations.

"The CEGB is locked into the dinosaur view that it has to build bigger and bigger power stations," says Chris Whatley, deputy secretary general of the London-based International Coal Development Institute. "But in fact there is going to be a demand for a proliferation of small power stations in Britain, as there is elsewhere in the world."

A CEGB spokesman says that the UK will need a lot of new generating capacity in the 1990s. "Although the board believes big stations will be most economic, there will be opportunities for private companies to develop different sizes and types of plant."

Indeed British advocates of advanced coal technology are pinning their hopes on the impending privatisation and break-up of the CEGB. Under the Government's plans, private companies will be encouraged to build power stations – most of which are likely to be small and so suitable for innovative generating systems. Walt Patterson says half a dozen of the private UK consortia now planning power stations want to use new technology.

In a traditional coal-fired power station, a mixture of air and coal powder burns in the combustion chamber. Sulphur dioxide has to be removed afterwards by passing the exhaust gases through an FGD plant, although emissions of nitrogen oxides (NOx), the other main contributor to acid rain, can be reduced by altering combustion conditions. The CEGB is spending £170m on "low NOx burners" for its coal-fired power stations.

The new technologies remove both sulphur and nitrogen pollutants during combustion. They convert coal energy into electricity more efficiently than a conventional power station by using two turbines, one driven by steam and the other by gas, in a "combined cycle".

Although several advanced technology generating systems are being developed in different parts of the world, they fall into two categories: fluidised bed combustion (FBC) and integrated gasification combined cycle (IGCC).

Power without acid rain

Fluidised bed combustion involves burning crushed coal in a bed of inert particles, such as ash, sand or powdered limestone. An upward flow of air keeps the bed in constant motion, bubbling like a boiling kettle. An FBC power plant has one turbine driven by steam produced in boiler tubes immersed in the fluidised bed, and a second driven by the hot exhaust gases.

FBC systems have two immediate advantages. The first is that they can burn a wide variety of materials, including rocks so low in coal that it just shows as black flecks in the surrounding stone. The second is pollution control. Because the FBC combustion temperature is lower than in a conventional burner, less NOx is formed. Calcium-containing minerals (limestone or dolomite) in the bed trap any sulphur in the burning fuel to form solid *calcium sulphate; emissions of sulphur dioxide* gas can be reduced by more than 90 per cent.

The type of FBC with the best track record of power generation is known as circulating fluidised bed combustion (CFBC). In this process the air flows so fast that the bed loses its clearly defined surface and a swirling cloud of particles fills the combustion chamber.

The leading supplier of CFBC systems is the Finnish engineering company Ahlstrom. Its largest plant is a 291 MW unit at Nucla in the US. As Walt Patterson remarks in a recent report on advanced coal-use technology for Financial Times Business Information, CFBC has achieved remarkable success over the last decade without any significant funding from government sources.

An important variant of FBC – pressurised fluidised combustion or PFBC – has received considerable government support, without so far achieving as much success as CFBC. Its main feature is that the entire combustion chamber operates at a pressure between five and 20 atmospheres. This means that the plant occupies much less space (and should therefore be less expensive to build) than FBC at normal atmospheric pressure; and that the exhaust gases can be expanded more effectively through a gas turbine.

PFBC was invented by British Coal researchers and much of the pioneering development work was done at Grimethorpe. But the only three commercial PFBC orders so far have been won by ABB, the giant Swedish-Swiss engineering group. The first and largest is a combined heat and power plant due to open in Stockholm late next year, which will generate 135 MW of electricity and 220 MW of heat for the city's district heating system, while meeting extremely strict emission control requirements. The other two ABB plants are under construction in Spain and the US (in partnership with Babcock & Wilcox).

Sven Jansson of ABB expects these orders to lead to widespread commercialisation of PFBC during the 1990s, particularly in Sweden where the Government is trying to phase out nuclear power without adding to the acid rain that is blamed for poisoning the country's lakes and forests.

Stepping on the gas

Integrated gasification combined cycle (IGCC) plants have a gasifier, in which coal reacts with steam and air or oxygen to produce a raw fuel gas containing carbon monoxide, hydrogen and methane. This gas is cleaned chemically to remove pollutants before firing in a gas turbine to generate electricity. The hot exhaust is then used to produce steam to power another turbine.

British Gas and Lurgi, the West German engineering company, have been working together on coal gasification since the 1950s. Until recently the purpose of their "slagging gasifier" was simply to produce gas from coal, but plentiful supplies of natural gas mean this remains uneconomic.

So the two companies are now focusing on power generation. Since 1986 the British Gas/Lurgi gasifier in Westfield, Scotland, has driven a Rolls Royce SK30 gas turbine to produce electricity for the South of Scotland Electricity Board. To the delight of British Gas, the CEGB now sees more potential for future coal-fired power stations in its gasification technology than in British Coal's Grimethorpe plant.

Several other companies have developed gasifiers for IGCC, particularly in the US. The world's largest IGCC demonstration plant, at Cool Water in California, uses a Texaco gasifier. Cool Water has operated successfully since its completion – ahead of schedule and under budget – in 1984.

According to the Electric Power Research Institute (EPRI), one of the sponsors, the results from Cool Water show that a commercial IGCC plant could generate electricity more cheaply and cleanly than a conventional coal-fired plant with FGD.

Michael Gluckman, technical director of EPRI's advanced power systems division, says IGCC is a superior technology to FBC because pollutants can be removed more effectively, it produces less solid waste and it has a commercial by-product in sulphur-based chemicals.

Sven Jansson, of ABB, disagrees. He points out, for example, that FBC plants can burn lower quality coal than a gasifier.

- British Coal is working on a combination of gasification with PFBC. Its proposed "topping cycle" would have a separate gasifier to boost the temperature of the gases entering the gas turbine. Conventional power stations with FGD convert 37 per cent of the coal's energy into electricity, whereas British Coal says that the topping cycle can improve efficiency to 44 per cent.

Europe risks falling behind in IT

BY CLIVE COOKSON

A NEW report from Logica, the UK computer software company, which analyses *national policies* on the communications and computer industries, warns that it could be too late for Europe to prevent the US and Japan dominating the international market for information technology.

The report says that the US Government has taken a much more active role than its European counterparts in persuading Japan to tackle its trade surplus in computing and communications products, which has grown from \$3.3bn in 1980 to \$15.6bn in 1986 and a projected \$25bn in 1990.

"European governments have been preoccupied with their own problems of creating a single European market and have lost sight of the international context of the informatics industry," Logica says.

The growing industrial importance of *information technology* – or informatics, as the report calls it – is forcing governments to play a more active role. But Logica points to changes in the way they participate:

- Governments are moving away from direct intervention towards regulation. The state has often been directly involved through the control of post, telegraph and telephone (PTT) monopolies, the creation of "national champions" among equipment suppliers and large-scale support for research and development. Now governments are becoming less of a player and more of a referee.
- They increasingly address the demand side of the industry rather than the supply side. Telecommunications policies are directed towards giving users a wider choice and better services, by liberalising the market for equipment and, in some countries, privatising PTTs. Computing policies concentrate on promoting open standards, providing training schemes and conducting awareness campaigns.
- National policies designed to protect local markets are being replaced by ones designed to attract international suppliers and users. Multinational companies can now locate their activities wherever they choose. "Rather than directing the informatics industry, governments are increasingly having to compete with each other to attract it."

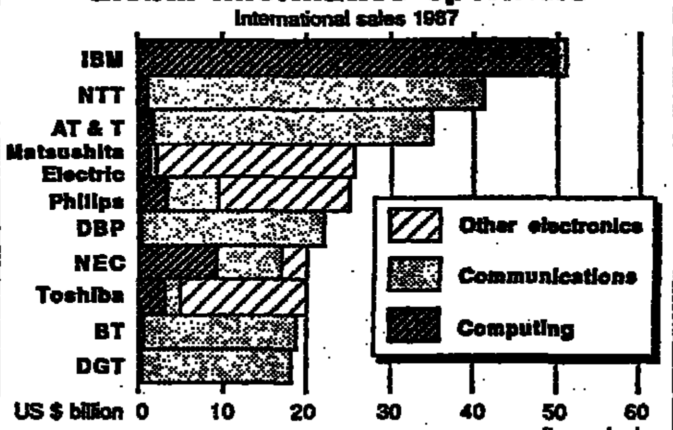
Logica argues that, with the convergence of computing and communications technologies, it makes sense to talk about a global informatics industry. An increasing range of goods and services combine information storage and processing with communications.

The company has analysed the world's leading "informatics operators" and discovered that the top 10 (in terms of sales) include five PTTs or former PTTs: NTT of Japan, AT&T of the US, DBT of West Germany, British Telecom and DGT of France. The others primarily supply computers or electronic goods.

Logica concludes: "It is the Japanese electronics giants, NEC, Fujitsu, Hitachi, Toshiba *et al* which now seem best positioned to exploit the information age. They typically have a vertically integrated structure which stretches from component manufacture through computers and communications to consumer electronics and broadcasting."

Global informatics operators

International sales 1987



Source: Logica

Recruitment and Personnel Services.

The above survey due to be published on Wednesday 22nd June 1988 will now be appearing on Wednesday 29th June.

For a full editorial synopsis and advertisement details, please contact:

Paul Maraviglia or Patrick Williams
on
01-248 8000 ext 4676 or 3694

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Bracken House, 10 Cannon Street
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

International Appointments

Colorvision's Management Enterprises

Keeping a hold on new entrepreneurial talent

David Waller looks at an innovative style of retail management

COLORVISION is unusual. The TV and video shops it operates are not just shops, they are Management Enterprises. The shop-managers are not just shop managers, they are managing directors. And in each of the shops, the day begins not with a cup of coffee but a rousing chorus of the company song: "Izzy, whizzy, let's get busy . . ."

The managing directors talk about their jobs in the kind of language normally used by born-again Christians. "It's the best thing I've ever done," says 29-year-old Henry Churney, formerly a wholesale hinge salesman. "I feel like a different person," agrees Barry Price, the 28-year-old managing director of the Stockport branch and once a store manager for rival consumer electrical products retailer, Dixons.

It is not just the managers whose lives are transformed when they join Colorvision: their wives tend to benefit as well. Neville Michaelson, the company chairman, remembers one woman coming up to him at the company's annual get-together wearing a brand-new fur coat. "She said she couldn't have been wearing it but for me," he recalls. "It was an absolutely fantastic feeling."

Michaelson is revered throughout the Colorvision empire as a marketing genius and a motivator *par excellence*. He founded Colorvision in 1964 with his brother Bernard, and developed the Colorvision retail formula.

The company concentrates on straight sales of TVs and video cassette recorders (VCRs), ignoring the rental side of the market altogether and other products such as cameras and computers sold by rivals. Aggressive pricing is supported by equally aggressive advertising. The formula helped Colorvision generate the highest net margin of any electrical goods retailer, according to a survey published by the Corporate Intelligence group last December. Colorvision's net margin on sales was 10.3 per cent, compared with Divxons' 10.1 per cent.

In 1982, five years before the company joined the unlisted securities market, Neville Michaelson devised the Management Enterprise scheme as a means of extending the Colorvision formula beyond its Liverpool base. The first Management Enterprise was opened in Bolton in 1983. This involved forming a new company, in which the shop manager acquired – for a price – a 20 per cent stake entitling him to 20 per cent of the profits. And of course, the shop manager was no longer a shop manager, he was the first of the managing directors.

There are now 21 managing directors running 33 Management Enterprises (several of the more ambitious ones have opened their second shop already). It is planned to have 100 open within two years, and the ultimate aim is to have a nationwide chain of 350 such shops commanding 20 per cent of the market for TV and VCR sales. Reflecting the development of the scheme to date, pre-tax profits have risen from £77,000 in 1983 to £1.6m last year, and turnover from £3.2m to £12.9m over the same period. Yesterday's latest interim results continued the trend with pre-tax profits up from £620,000 to £1.9m on a doubled turnover of £11.8m against £5.6m previously.

The scheme was devised as a response to the perennial problem that a company expends time, money and effort in training its managers, only to have the best of them poached. "We had to create a scheme to stop people from leaving," the chairman recalls. "There was no point in teaching them the lot and then losing them to competitors."

Franchising was a possibility, but this was rejected on the grounds that the structure of a franchising arrangement creates a conflict between franchisor and franchisee. "The franchisor takes a levy on sales. That is his only commitment to the business. The franchisor has no financial interest in the profitability of the shop," maintains Michaelson.

Colorvision does not advertise for its management entrepreneurs, but a brief list of what is required includes: ambition; a supportive wife; "a genuine love for the customer and a willingness to do anything to make a sale, absolutely anything, as long as it's within the law" (says Michaelson); a history of achievement; a desire to become wealthy; and, last but not least, £25,000 in cash.

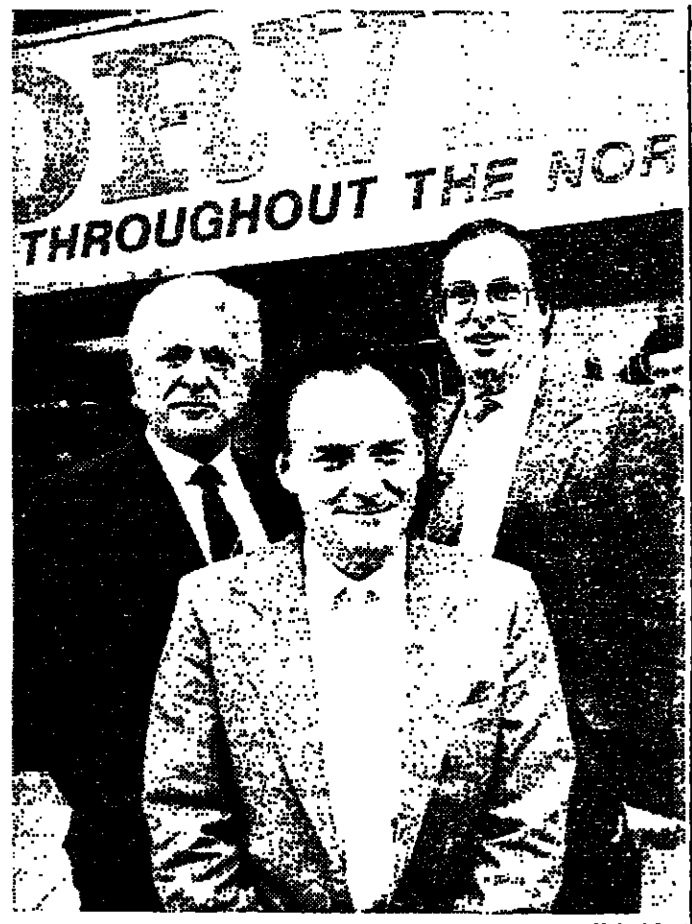
The cash is secondary to retailing talent, according to Nigel Elton, Colorvision's finance director: "It is a means of committing the talent." The precise amount is negotiable; it has recently risen from the £10,000 required when the first scheme was introduced. The money goes into the balance-sheet of the individual Management Enterprise as a loan, repayable after four years from the new company's own resources. The entrepreneur must put up a further £200 for his 20 per cent of the company's equity capital.

The would-be entrepreneur must undergo a rigorous selection process which culminates in a four-hour inauguration meeting which is attended by the candidate's wife. "We try to put them off," says Michaelson. "We study the body language when we tell them they could lose their £25,000. If the husband is a wimp in the company of his wife, then we wouldn't be interested."

If accepted, the entrepreneur must sign a voluminous legal agreement. He is encouraged to go through the document with his own lawyers: if the contract is breached, the candidate risks forfeiting his £25,000 investment. He must set about finding a location for his Colorvision shop, taking full responsibility for assessing the local market and finding premises. While this is under way, his training begins with a period working in the Colorvision shops in Liverpool.

"They have something to lose, their own flesh and blood and money," Michaelson observes. "Believe me, they become very receptive pupils."

If they have something to lose, they clearly have something to gain as well. A typical outlet generates £1,200 of net profit a year for each square foot of selling space – a margin of over 10 per cent on sales. A 500 sq ft shop is likely to go into profit within two months of opening, and in its first year could generate pre-tax profits of £60,000 on sales of around £500,000.



Michael Arron

From left to right: Bernard and Neville Michaelson and Nigel Elton – claiming highest net margin in electrical retailing

The entrepreneur is entitled to 20 per cent of this in the form of a bonus on top of a basic salary of £15,000, all payable out of his own company's profit and loss account. In time, if he opens a second shop, he could be earning over £50,000 a year. "That's the sort of number that's buzzing through my brain," admits Steve Lyons, the 25-year-old managing director of a recently opened Management Enterprise in West Bromwich.

According to Henry Churney, money is not the prime motivation for most of the management entrepreneurs. The scheme represents an opportunity for a manager to "do his own thing" and to develop his career beyond the bounds of what would be possible in one of the multiple retailers. All there is to lose is the initial deposit.

The entrepreneur has the benefit of being his own boss, with the back-up of Colorvision plc. Head office negotiates with TV manufacturers, landlords and bank-managers – winning better prices and terms than the managing director could do on his own. Head office also dictates the type of carpet that must be used and specifies the sign that should be erected over the shop window.

Beyond that, the managing director has total discretion: over stock-levels; pricing strategies and special offers; recruitment of his staff and incentive schemes; advertising and his level of bank-borrowing.

However, performance is closely monitored by head-office. Management accounts must be submitted to Liverpool weekly, and there is a tier of management between the board and the managing directors whose job it is to keep a close eye on the businesses to make sure they are heading for budget. It is also their responsibility to answer queries, offer advice and organise sales conferences. "Head office is genuinely helpful," observes Bob Murray, who has just set up shop in Carlisle. "It's not a question of Big Brother at all."

Colorvision's challenge now is to test its strategy in the long term. As it is extended, it may become more difficult to operate – and managing directors may want to leave to take on even bigger challenges. To date, though, it has been successful in harnessing the talents of a group of aspiring entrepreneurs. There has only been one casualty so far – one managing director was caught "teeming and lading", and sacked with the loss of his deposit.

Information systems

A strategy for organisation

By Alan Cane

THERE IS depressing news for information systems specialists: if new research from the PA consulting group is to be believed, the management information systems (MIS) which have been running on mainframe computers at head offices all these years have been churning away in vain. The business information they produce is neither needed nor wanted by the senior managers for whom it is intended.

However, PA suggests an answer. This is based on two factors: a new understanding of how professionals work together in offices and the recent developments in the networking of personal computers.

Charles Brett, a PA consultant working on the barriers to effective implementation of office automation chiefly in the financial services sector, says the output from traditional MIS is ill-suited to the needs of senior executives. "The average professional uses little, disappointingly little, data from information systems. PA's findings at one insurance client suggested that information derived from the company's information technology system came to less than 2 per cent of the knowledge applied to the job."

Professionals, he concludes, gather the information they need from many sources – television, radio, Reuters and other information vendors, banks, chance conversations and so on. But they make use of very little material from their own computer systems.

Charles Brett says this, at least in part, is a consequence of the difference between the way an executive works and the way that modern data processing (DP) systems work. DP systems are concerned with the regular transactions and processes of the business without which there would be no business. Executives, on the other hand, are more concerned with pattern matching, seeking a path through the analytical and intellectual processes and identifying a correct decision or recommendation. "In practice," Brett claims "Pattern matching and algorithmic (data) processing are consistently different."

He hastens to add that it is not entirely the fault of the data processing experts that their efforts are so little used. His investigations showed that "major systems, whether data processing or office systems, were technically efficient, run by able and efficient people but did not address the issue that individuals wanted addressed."

All this begins to explain why office technology has not conferred the expected benefits and why there is now a marked reluctance to invest in any form of system for the office. "Nowhere has this disenchantment been clearer than in the City or Wall Street," says Brett. "Mention 'office automation' and most managements imagine increased systems investment and enormous manpower overheads. And in the past this scepticism has been well justified."

He now argues, however, that the combination of the personal computer, and the new understanding of how people work in offices, offers real and measurable benefits in the office.

The personal computer, he says, is a powerful tool – an ideal extension to an individual's intellectual and analytical powers. But it is no good on its own. As much use, in fact, as a pencil and paper without a postal system. Professionals cross many different boundaries in their working lives, working individually and as a member of a number of different teams - for example, with their secretaries, or with other members of a task force. Their use of personal computers must reflect all these relationships, Brett argues. The means of doing this is to link personal computers together into networks or "group desk systems" to use Brett's terminology. Users must realise that they have all these different associations and their use of the computer must reflect this.

The technology for doing this should be completely hidden from the user: "Group desk systems take off when small communities of people find common self interests, just as in ordinary life," says Brett. "Group desk systems excel when users discover they are part of a multi-faceted group with similar equipment and similar freedom. How much more impact a user feels when he or she know that on the desk they have the means via the desk system to contact anyone else in the organisation or even outside it."

What about all those formal MIS systems? Will they end up on the scrap heap? Not a bit of it, Brett says, they are complementary to desk systems and the two should be linked as part of an organisation's information systems strategy.

Business courses

Competence and Enterprise: Training and Developing Britain's Managers – The Management charter Initiative and its Implications. June 22, London. Fee: £195 plus VAT. Details from AMED, Premier House, 77 Oxford Street, London W1R 1RB.

Total Project Management. June 23, London. Fee: £130 plus VAT (RIBA members) and £143 plus VAT non-members. Details from RIBA Services, 39 Moreland Street, London EC1V 8BB.

How Contracts are Made. July 6, London. Fee: £218.50, inc. VAT (£172.50 for CCMA members). Details from European Study Conferences, Douglas House, Queens Square, Corby, Northants NN17 1PL.

Joint Venture Strategies: How to develop a strategy, get commitment, negotiate and manage successful joint ventures - structuring strategic alliances. July 11-12, London. Fee: £475. Details from Frost & Sullivan, Sullivan House, Dept RE-838P, 4 Grosvenor Gardens, London SW1W 0DH.

The 1988 Business Woman's Forum. June 27-28, London. Fee: £425, plu VAT. Details from The Conference Manager, Forum Communications, London House, 26-40 Kensington High Street, London W8 4PF.

The fundamentals of finance and accounting for non-financial managers. Brussels, August 29-September 2. Fee: BFr91,000 non-members, BFr81,900 members. Details from Customer Service Department, Management Centre Europe, Postbus 95, NL-5417 Montfoort, The Netherlands.

The 1988 European Summit for Young Professionals. St. Moritz August 31-September 3. Fee: £1,750, or £1450 for those making own travel arrangements. Details from Conference Manager, Forum Communications, London House, 26-40 Kensington High Street, London W8 4PF.

Television/Christopher Dunkley

Murdoch reaches for the sky in tabloid TV

AT ABOUT midday today engineers of the European Space Agency will attempt to launch the first of the Ariane 4 rockets from their base just above the equator in French Guiana, north of Brazil. If they succeed then Rupert Murdoch has a good chance of making Croesus look like a pauper, and viewers who thought there were already a lot of pop shows and old American series on their televisions may be surprised at how many more can be packed in when you really try. Moreover, the revolution in television's technical standards which some of us hoped was about to arrive with the dawning of the satellite age may well be postponed or even cancelled.

If the rocket fails (and the Ariane programme has had its failures) then the pre-emptive strike which Mr Murdoch seemed to have contrived with last week's announcement of four new television channels, delivered free via

'All who see High Definition Television gasp at the beauty and the quality'

transponders on Luxembourg's Astra satellite to anyone willing to spend £199 on equipment to modify their existing TV set, will look much more doubtful. Timetables will start to converge and the battle between Murdoch and his competitors – the BSB consortium (which includes Pearson's, owners of the *FT*) and Robert Maxwell – instead of being merely interesting, will become fascinating.

Up to now all viewers have been pedestrians: earthbound because terrestrial broadcasting has been the only sort available. Satellites offered the prospect of acquiring a motor car: if you were willing to pay £800 and possibly considerably more for a receiving dish and converter and then either a regular subscription for whole channels or an ad hoc system of pay-per-view you could get something superior, and become master of your own schedule.

To make such pay-satellite systems work it is necessary to encrypt the signal and sell or rent converters, so that the pictures cannot simply be picked up free by every DIY enthusiast with a dish in the back garden. And to run encryption systems you need a higher technical signal standard than the PAL system we use at present; probably a new system called D-MAC.

The further advantage of D-MAC is that it enables you to provide "High Definition Television" (HDTV): pictures with the density, clarity and contrast of a professional Kodak print achieved via 1,125 lines, in place of the somewhat blurred pictures produced by today's 625 lines. All who see it gasp at the beauty and the quality; it is wonderful for movies, opera and sport. However, you would have to buy a new television set, probably with a wide-screen shape, in order to benefit from HDTV, and so far nobody has managed to make HDTV run successfully for very long off a satellite.

Both Maxwell's and BSB's plans call for the D-MAC system, which would at least put HDTV, the limousine of television, on the horizon. The cunning of the Murdoch plan is that as the pedestrians stand about wondering whether, one day, they might be able to afford a Bentley, with its high initial price and perpetually high running costs, he offers horse-buses for all: for the price of a blanket to wrap round your knees you can ride his buses in perpetuity for nothing, because he will sell the space on the sides to Carter's Little Liver Pills.

In other words, Murdoch has (for the moment) turned his back on the high quality/high cost D-MAC system, which would presumably appeal initially to richer viewers and perhaps take a perilously long time to build a following, and decided to stick with the existing PAL system, to forget encryption, forget subscription, finance the whole thing via commercials and offer all four

Rupert Murdoch: aiming for four new channels

channels for nothing to everybody willing to buy the £199 reception kit.

But even if it costs "only" £199 to start getting Direct Broadcasting by Satellite (DBS) and the little umbrella-size dishes become the latest status symbol on council estates (easier to flaunt than VCRs) there will clearly have to be some inducement in the

'Sky has always relied heavily on the old American programme stockpile'

form of programmes before most viewers will fork out. So what is Murdoch planning?

- First: His existing Sky channel, which for several years has been delivering general entertainment to millions of Europeans via low-power satellite and cable.
- Second: a movie channel.
- Third: a sports channel.
- Fourth: a news and current affairs channel.

On the face of it, that plan sounds as though it could be very attractive, but there are points to be made about each of those channels. Sky has always relied heavily on the old American stockpile: it has not been unusual for the six hours between 6.00pm and midnight to be filled by *The Lucy Show*, *Green Acres*, *Charlie's Angels*, *A Country Practice*, *Wagon Train*, *US College Football*, and *Monsters Of Rock*.

We are told that when Murdoch goes onto the Astra bird, Sky will get a "massive injection" of money to improve its programmes, and that to give it an edge against BBC2 and C4 it will incorporate six hours of arts programmes a day. Given the flabbiness of the current schedule it will *need* a massive injection, and if last Sunday is a typical example we can expect those arts programmes to start at midnight.

Murdoch has some access to movies via his own 20th Century Fox studio and its library, and he can buy more. A well-run movie channel would certainly be a draw. However, we may have to grow used to the idea of the same film being shown seven, or 14, or even 21 times a week, interspersed with a few others shown in the same way. Nobody can run a perpetually changing movie channel: there are not enough movies.

The sports channel is, at present, the most problematic of all, with a lot of in-fighting already occurring between sports bodies, sponsors, and European broadcasters, and it would be a surprise if Murdoch's channel were not dominated at least initially by basketball, American football, wrestling and other American events.

The biggest draw for up-market viewers could be the news and current affairs channel. Ted Turner's American 24-hour news channel, CNN, now reaches a considerable global audience (even if it does still lose money) and Murdoch has the multinational infrastructure to supply raw news for a similar operation. *The Times* already feeds news to Sky. But to do this channel properly, and do it well, will cost a fortune.

Moreover, it is difficult to believe that Murdoch will pitch that channel, or any of the others, at *FT* readers, or even *Times* readers. Just as he realised in 1969 that there was a space for the Sun down-market of the Mirror, so he must have realised by now that while British broadcasters are outstanding at "broadsheet" television, and very keen on it, they are much less adept at "tabloid" television.

It has frequently been pointed out in this column that virtually all British television news and current affairs is middlebrow, and it would be odd if Murdoch did not go for the resultant gap like a dog after a rabbit. Significantly, terrestrial television is already beginning to gear up for the challenge: the recent expansions into breakfast and daytime television have produced

'We are beginning to see an increase in deliberately populist programmes'

far more tabloid programming than the traditional prestige areas of the evening, and in addition to the few existing tabloid series – *That's Life* (tabloid television at its best) and the local news opt-outs, for instance – we are beginning to see a definite increase in deliberately populist programmes.

Derek Jameson's *People*, Channel 4's *Network 7*, BBC2's *DEF II*, London Weekend's proposed *Family Affairs*, with people exhibiting their emotional crises on screen, are all pitched at the sort of audience that reads tabloid newspapers.

If he is to support four "free" channels on advertising revenue then Murdoch is going to need a mass audience, and he will not get that by copying *Talking Heads* and *The South Bank Show*.

Picture: Alastair Muir

Joseph O'Conor as Caesar and Roger Allam as Brutus in the Royal Shakespeare Company's revival of Julius Caesar. Terry Hands's production opened at the Barbican Theatre in London last night and will be reviewed on this page tomorrow.

Lupu/Elizabeth Hall

Andrew Clements

Making Haydn aspire to the condition of Schubert seemed to be one of the points of Radu Lupu's Sunday evening recital. He made his task easier by beginning his programme with Haydn's F minor Variations, which carries a Neapolitan inflection in its theme which unambiguously looks forward to Schubert's expressive world. The sequence of variations proceeded to sustain that simulation, consistently favouring ripely expressive effects and a warm-toned palette of colours; late Haydn could hardly be projected into the 19th century more unambiguously or effectively than this.

A pair of sonatas from Haydn's Op.30 offered Lupu less scope for such explorations. The outer movements of the D major were dashing, extrovert affairs, the slow movement suddenly unconvincing, casting about for its point of balance. Predictably he responded more intensely to the *Sturm und Drang* world of the C minor, and found in its Andante particularly the kinds of expressive tendencies he had exploited so fruitfully in the Variations.

The real thing, when it arriuved in the second half of the recital in the shape of two Impromptus from Schubert's D.935 set and the Wanderer Fantasy, proved something of a surprise. The marvellously supple, inherently lyrical sound that had carried the Haydn was unaccountably thickened and in some respects coarsened, and the fastidious control of rhythm was often approximated for the sake of a grander, more dramatic effect. The style lay uneasily upon the two impromptus (the B flat major variations and the first in F minor), more confidently on the Fantasy.

Many of its effects were superbly realised, and moments such as the transition between the first two sections were powered with great theatricality. It was an uncompromising assault, one that consciously omitted some important details – the filigree with which the theme is decorated at the end of the slow section was only sketched – and memorable as that. But a performance by Lupu which exhibited the intensely musical concern he had lavished on the early parts of his recital would have been just as valid.

Trace/Sadler's Wells

Clement Crisp

Mary Evelyn's *Trace* which was, the new work in the Rambert Dance Company's second programme last night, seems to me a piece concerned with theatrical ideas. It is, of course, the "theatre" of the new Rambert style, where the identities of dance, music and design remain firmly themselves, and the interaction between them is often no more than the crossing of fine lines which then proceed on their own pre-ordained course. As collaborators Miss Evelyn has the composer Simon Bainbridge and the painter Stephen Buckley, both making their debuts in the dance world. A first impression of *Trace* suggests that various shifts of emphasis exist between its components, each taking by turns a preponderant or diminished importance, before a final fading away.

Curtain rise finds the stage hung with large pendant panels, with dominant black checkered patterning. These divide the stage laterally, and a forward-placed duet is matched and echoed by other dancers whom we see only partially. Gradually some of the panels are removed and a dance area is created in which the movement grows and develops. The cast of six are in dull, greenish leotards, and much of their movement has a dutiful, school-of-Alston feel to it. The tensions of the work emerge from the isolation of the dance, the varying effects to be gained from astute changes of lighting, and the emotional vivacity of Simon Bainbridge's score. This had begun with electronic sound, but is soon entrusted to the musicians of the Mercury Ensemble, under Roger Heaton, who deal admirably with writing that has a constant edge of drama to it: the music seems at times to propose situations that the dance only partially realises.

Picture: Alistair Muir

Alexandra Dyer and Mark Baldwin of Ballet Rambert in *Rhapsody in Blue*

There are, nevertheless, bold effects which suggest that movement is receding from us, and a stunning *coup de theatre* when the remaining panels of Mr Buckley's set fall to the ground, making it seem for a giddying instant that the dance has shot into the air. The final development of the work is one of reduction to an absolute minimum; the set has gone, the music is thin, the stage is lit by two working lamps and the dancers are lethargic. These are, indeed, only the traces of what has gone before, and they form an intriguing commentary upon the creative procedures we have been watching. The programme also brought an official London premiere for Richard Alston's *Rhapsody in Blue* on which I reported fully after its Birmingham debut ... It was well danced by its latterday Freds and Gingers.

Dr Angelus/Glasgow Citizens'

Michael Coveney

If there is one person to whom the Sottish theatre owes a permanent vote of thanks it is James Bridie (1888-1951), a part-time painter, editor and consultant physician who wrote over 40 plays and founded the Citizens' Theatre in Glasgow in 1943. The present theatre in the Gorbals, formerly the Princess's, became the Citizens' home in 1945.

Bridie's fame has dwindled rapidly since his death, though *Daphne Laureola*, with its strongly written dipsomaniac heroine, a famous role for Edith Evans and, more recently on television, Joan Plowright, remains popular. Perth Repertory has a revival later this year. But the rest, endemic to the first stirrings of a Scottish national theatre and the careers of such distinguished artists as Alastair Sim, Duncan Macrae, Molly Urquhart and Flora Robson, seems half consigned to oblivion.

I am not convinced that full-scale rehabilitation is on the cards, but the Citizens' reveal *Dr Angelus* (1947) to be a compelling murder mystery with a strikingly pertinent discussion of ethics in the medical profession. This element is underlined in Giles Havergal's production by the opening recital of the Hippocratic oath, a speech dislodged from the second act and shared among the play's three doctors.

Bridie was often dubbed the "Scottish Shaw." This may not be one of his most talkative pieces (stand by for that with *Mr Bolfry* at the Edinburgh Lyceum later this month), but it is much more serious a medical play than Shaw's *The Doctor's Dilemma*. It is based on the notorious Glaswegian case of Dr Pritchard, who murdered his mother-in-law and wife in the 1830s. Bridie updated the incidents to 1920, creating a double bind on Angelus of Victorian marital repression (he is unfulfilled) and a more modern hypocritical sexual licentiousness (he is in thrall to the sluttish maid).

It is a notably well structured play, hingeing on a central dream sequence in which the conscience of Angelus's new young partner, Dr Johnson, is set alight after the signing of a death certificate. Stewart Laing's cramped, realistic consulting room – the use of only half the proscenium's available width is a fine statement of domestic restriction – splits open and the interrogation is shared among all the other characters floating through.

At the end, Dikran Tulaine's powerfully earnest young doctor departs in a magical, mystical echo of that scene and, I fancy, of Priestley's *Johnson Over Jordan*, which play was in the first season at the renovated Princess Theatre.

Otherwise, this is an unusually naturalistic Citizens' production, with acting styles varying from Bob Cartland's craggily relaxed and sinister Sir Gregory, to Mary McCusker's importunately flirtatious married patient, done with a Fenella Fielding purr, and Celia Imrie's pirouetting, stiffly libidinous maid.

Robert David MacDonald seems to have modelled his Cyril Angelus on a camp version of Andrew Cruickshank in *Dr Finlay's Casebook*, a television series that comes to mind more than once, and not always happily, during the course of the evening.

In a plum dinner jacket and flowing white mane, Mr MacDonald short-circuits many of the play's finest speeches, including, of necessity, the jocular hymn to baldness. He is a seedy old reprobate from the off, tart and chilling alright, but resolutely opposed to any hint of eccentricity that might crumble, as it should, into trembling, infantile madness. The part was tailor-made for Alastair Sim, who scored one of his biggest successes in it.

The diagnosis of gastric tuberculosis and syncope is a false trail for two murders by antimonial poisoning. The playing does not highlight the rather submerged motivation, but it does fully convey a sense of callous ghoulishness. And local laughter was rich and fulsome at the idea of Angelus's oddness deriving from his having taken a degree in Edinburgh.

BBC Radio Show at Earl's Court

BBC Enterprises is organising what it describes as a "spectacular £1m BBC radio show" at Earl's Court in London from September 30 until October 9 to mark the 21st birthday of Radio 1, local radio and the new-style network Radios 2, 3 and 4.

The show will blend an exhibition, *The Story of Radio*, with the production of more than 100 radio programmes, many to be broadcast live from Earl's Court. Broadcaster Glyn Worsnip is writing the show catalogue, which will be sold in aid of charity. Entrance will cost £5 (£3 for senior citizens and children under 15).

Ry Cooder/Wembley Arena

Antony Thorncroft

Oh, the penalties of success. For many years Ry Cooder was the focus for a select cult and could keep his British fans happy by performing in such relatively intimate surroundings as the Hammersmith Odeon. Not quite the local Texan honky-tonk or Louisiana blues bar, which is the ideal setting for his roots music, but bearable.

Now he is big, big enough to pack out Wembley for two nights, which is good for him, not so good for us. Cooder is a propagandist for the popular music of the southern states. He is not bigoted – his passions have embraced the blues, gospel, rock, country, cajun music, and Latin. There was even a brief flirtation with early jazz.

His concerts unfold randomly for almost three hours without an interval and by the end you have had a crash course in the folksy music that has nourished pop while rigorously excluding anything as banal as a commercial hit. It is the happiest kind of lecture, even at Wembley, which stretched Cooder's low key, head down approach to the limit.

About the only thing he got worked up about was smoking. For the rest the preponderance of serious young men in the audience could take or leave this overflow of sound as casually as they wished. The band did, wandering off stage at will as Cooder switched from blues like *How can a poor man stand such times as this* (Cooder titles say it all), to a buttoned down version of *All shook up* to the countryfied *Crossing the borderline*.

Ry Cooder played some wonderful slide guitar and in songs like *Every woman I know is crazy 'bout an automobile* lifted the audience into a frenzy of clapping convivialty while keeping alive a southern blues tradition which was in danger of disappearing into academia. That's the wonder of Cooder.

But Wembley is not kind to laid back, super cool, guitarists, even when they are accompanied by a trio of backing singers that go from bass profundo to counter tenor, while throwing themselves around the stage like five-year-olds. It was an intimate performance in a hostile setting, and the lack of any production ideas sadly muted the show. Only by the encores was the audience on its feet; only then did you appreciate just how much fun Cooder can be. Serious and fun – its the ultimate accolade.

Arts Guide

June 10-16

THEATRE

LONDON

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white hot National Theatre revival of Tennessee Williams's play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252).

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast including Rik Mayall and Stephen Fry. (836 2294, credit card bookings 240 9661).

Easy Virtue (Garrick). Transfer of the King's Head revival of early Noel Coward; same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the fictional Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 2. Dame Edna Everage has now earned full immunity to good taste, while the libidinous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, credit cards 379 6233).

NEW YORK

Fences (46th Street). August Wilson hits a home-run, this year's Pulitzer Prize, with a powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest running musical ever in US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its transatlantic incarnation. The skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated lewdness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her award-winning solo performance of the crazy people who inhabit her funny and strange imagination. One-woman comment explores the women's movement over the past decade. Ends June 26. (254 3670).

CHICAGO

Pal Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 3800).

TOKYO

Kabuki (Kabuki-za). Kabuki-za is celebrating its 100th anniversary in 1988, presenting both perennial favourites and new works with leading actors throughout the year. Excellent English earphone commentary. Ends Jun 27. (541 3131).

Opera-za no Kaijin (better known as The Phantom of the Opera) plays at the Nissei Theatre. The fact that Andrew Lloyd Webber's affectionate tribute to Victorian melodrama is getting a Tokyo production so soon after London and New York is more a tribute to the mighty yen than to Tokyo's theatrical and musical pre-eminence. However, Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon-copy of the London original. The Japanese translation is often awkward, but Lloyd Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether you understand the words or not. (320 9000).

The Mahabharata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troupe of actors from Paris. In three parts, performed either on successive evenings or on a single day. Full of enthralling images of earth, fire and water, but not without its longueurs, especially in the final part. Ends July 27. (535 0555).

Hamlet (Dai-2 Factory). This studio production by Japan's most innovative director, Yukio Ninagawa, makes use of two translations, one old and one new, but Ninagawa has left it up to his actors to decide which one to use – and when. The strong visual concept for this fine-spirited production derives from Japan's Doll Festival. Hamlet is played by the popular TV actor, Ken Watanabe. Ends June 28.

Kaze Fler (Awara Hall). Devised by Robert Wilson, the master of performance art, with music by David Byrne of Talking Heads. This production was created in 1984 and, according to the publicity hand-out, "uses the stage as a three-dimensional canvas to create poetic images." (Wed,Thurs) (203 7860).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English speaking Theatre of Amsterdam continues its tenth anniversary summer season with Beyond Silence, a multi-faceted exploration of the female imagination.

Saleroom/Antony Thorncroft

The International Ceramics Fair, which closed on Monday at the Dorchester, seems to have been a success but it also seems to exhausted the pockets of dealers and collectors of porcelain and pottery. Sotheby's major auction yesterday had its disappointments, mainly in the area of Staffordshire slipware produced around 1700.

At the top price level this is a specialist market with only three major collectors of early English pottery, two of whom are Americans coping with a shrunken dollar. Perhaps they were sitting on their hands yesterday when some major dishes from the Pitts Rivers Museum in Dorset came under the hammer. The main casualty was a press-moulded "Royal Equestrian" dish of around 1715, probably by Samuel Malkin and depicting King George I. It was unsold at £18,000, well below estimate. A previously unrecorded "Royal portrait" charger of around 1690 was also unsold, at £19,000.

The two chief lots were Staffordshire white saltglaze "pew groups" made around 1745. In 1986 a record price for an item of English ceramics of £102,000 was paid for a similar pew group, depicting three figures in a row, of which only a score are known to have survived. Sotheby's was chancing its arm in offering two examples. One sold for £60,500, near the top of its estimate: the other was bought in at £34,000. The only difference between them is that the woman, seated between two men, was holding a dog in the successful group.

There were compensatory successes. The London dealer Alistair Sampson paid £28,600, below estimate, for an unrecorded Southwark Delftware fluted armorial charger of around 1650 and £18,700, above estimate, for a pair of London Delftware "Bleu persan" small jardinieres of the late 17th century.

The main excitement in the morning session, devoted to continental ceramics, concentrated on two "later decorated" commedia dell'arte figures made at the Nymphenburg factory around 1760. At least two prospective buyers were convinced that the decoration might be contemporary with the modelling and a lot with a top estimate of £500 sold for £10,450, a profitable embarrassment for Sotheby's. The main item, a Nuremberg stoneware stove of the mid 16th century decorated with tiles (offered in a dismantled state) was unsold at £15,000 (estimate £60,000).

Phillips was selling modern British pictures fairly well, given the flood of Harveys, Sharps and Knights from Newlyn that have flooded the market. The total was £565,937, with 24 per cent unsold. The demand for naked boys seems to have waned. A Harold Harvey of "The sunbathers" was unsold at £22,000 and "Boys bathing" by Henry Scott Tuke was bought in at £17,000. In contrast another Harold Harvey, "A test of strength," a typical Newlyn School picture of children enjoying a tug-of-war, more than doubled its estimate at £55,000.

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Fixation on US trade

LIKE convalescents watching the thermometer, both financial markets and economic policy-makers are fixated by the monthly figures on US trade. Every small blip in the chart is greeted with a degree of euphoria or despair quite out of keeping with the quality of the information. The figures released yesterday mean the patient should take heart, for there is a definite improvement in his condition. Unfortunately, he also needs to start worrying about something else.

Only last week the Department of Commerce decided to release seasonally adjusted figures for US exports and imports going back to the beginning of 1986. In the process, a considerable part of what had seemed to be the wonderful improvement in March was adjusted away.

What the Commerce Department took away, the US economy has now given back. The announcement of a seasonally adjusted deficit in April of $9.9bn is welcome, being well below the consensus of expectations, which was for a deficit of some $12bn. Yet the surprise is that the market has been surprised, since the figures for April are on the trend of the previous six months. The improvement reflects the remarkable strength of exports, which have been growing at an annualised rate of 43 per cent since October.

Assumptions

The difficulty is in knowing where things will now go. The trade balance is a residual between two large numbers which are, at the moment, growing at very different rates. It follows that the outcome projected for a year or two hence depends on relatively modest differences in assumptions about the underlying rates of growth of exports and imports.

In the first four months of 1988, the trade deficit has been provisionally estimated at $47.3bn on a seasonally adjusted basis. This is down on the $55.3bn recorded for the corresponding period of last year, but is still pretty substantial. If April's figure were to continue for the balance of the year, the deficit would be $126bn. If, by contrast, the last half year's trends for exports and imports were to continue, the trade deficit would disappear entirely within a matter of just two years.

There are good reasons for believing that export growth can be maintained at a relatively rapid rate, if not at the extraordinary one of the past six months. One indication is the profitability of manufacturing. Seasonally adjusted after-tax profits averaged 6.3 per cent of sales in the first quarter of 1988, up from 4.7 per cent in the final quarter of last year. Improved profitability is driving a major expansion of investment, which promises a further increase in exports and reduction of imports in future.

Elasticities

The trade elasticities may turn out to be larger than expected in the long term, just as they turned out to be smaller than expected in the short term. If so, attention must turn to the domestic macroeconomic balance. In its latest Economic Outlook, the OECD expected the change in net US exports to cause an increase in demand during 1988 equivalent to ¾ of a per cent of GNP. But this forecast was made with the volume of exports of goods and services growing at an annualised rate of 15¾ per cent, which may turn out to be an underestimate of what will happen.

The more optimistic one is about the trade balance, the more concerned one should become about inflation. The Bank for International Settlements was perfectly correct, therefore, in adding its plaintive voice this week to the chorus calling for further fiscal adjustment. It is more likely, however, that the private sector will make the adjustment instead. There has already been an increase in the household saving rate following Black Monday. If the worst comes to the worst, experience suggests that an increase in inflation is itself an effective way of increasing the rate of private savings.

Without uncertainty and something concrete to worry about as well financial markets would be deprived of much of the turbulence on which they thrive. Fortunately, the prospects for the trade balance continue to be quite uncertain and worries about inflation are likely to replace those about trade. The combination should be quite enough to ensure that recovery from the consequences of the risks taken earlier in the 1980s will continue to be accompanied by the occasional sharp relapse.

South Africa and the ANC

IT IS TIME to start thinking straight about South Africa. In London at the weekend a pop concert was held to celebrate the 70th birthday of the jailed nationalist leader Mr Nelson Mandela. It was broadcast by the BBC and relayed to some 60 countries. This upset both the South African Government and some backbenchers in Britain's Conservative Party: they maintain that the African National Congress, of which Mr Mandela is the leader, is a "terrorist organisation" whose representatives should be shunned.

Across the Atlantic the opposite has taken place. Party advisers working for the Democratic candidate for President of the United States, Mr Michael Dukakis, have agreed to brand the South African Government with the label "terrorist," in deference to Mr Jesse Jackson, whose command of the black vote is of no little importance in this election year.

The label "terrorist" is not helpful in either case. On the Jackson side of the argument it is pointed out that a great many unarmed civilians and demonstrators have been shot dead by the South African police and security forces. Until recently this was seen to happen in television news reports. It is one thing to condemn such actions, but quite another to place the South African Government, which commands the strongest economy and the strongest military force in Africa, outside the range of normal diplomatic pressures. If Mr Dukakis becomes President he will be better placed to influence events in southern Africa if he maintains a working relationship with Pretoria.

Casualties

On the Tory right side of the argument, it is pointed out that the ANC has not shrunk from inflicting civilian casualties in South Africa. Its bombs cannot be guaranteed to distinguish between victims.

Again, it is one thing to condemn such actions, but quite another to misread the significance of the ANC. Formed in 1912, it is the oldest nationalist organisation in South Africa. In the absence of a free black franchise it is not possible to be certain of its support within the republic, but, leaving aside Chief Buthelezi's Zulus, it seems to be the main focus of black political aspirations.

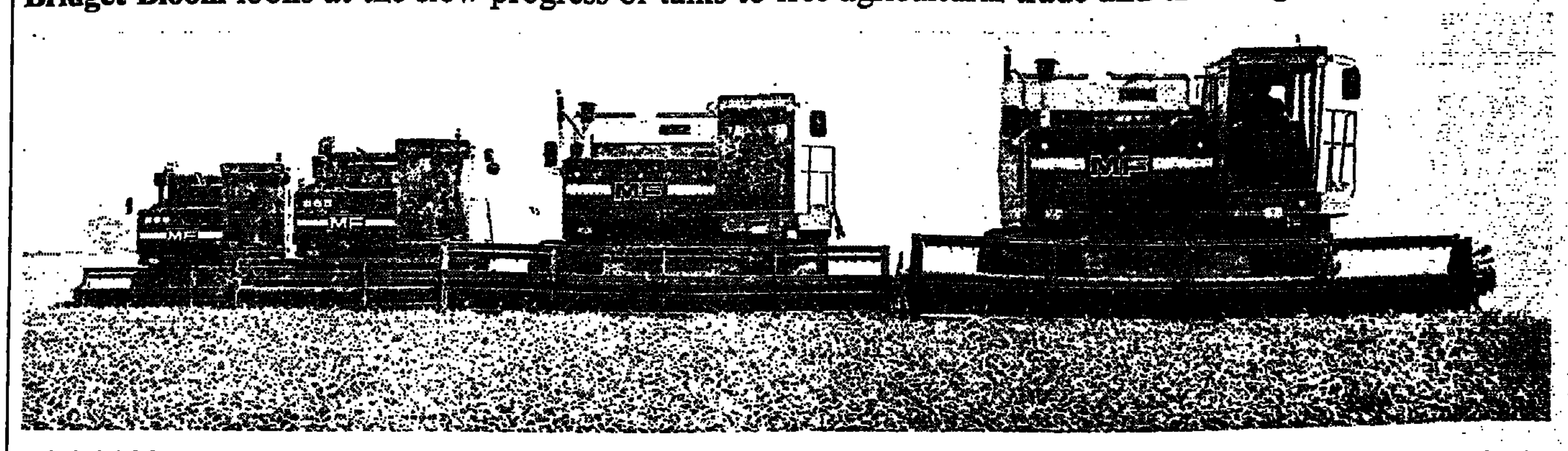
It embraced Gandhian non-violence for half-a-century, without making headway. For two further decades it confined its limpet mines to power pylons and other installations well away from people, again to no avail. Its move into its present violent stance has marched in step with an increase in violent and repressive measures taken by the South African authorities. Its terrorist acts may be relatively few in number, but they should not be condoned by its apologists. Yet any Western government whose long-range objective is a peaceful settlement in the republic must do business with the ANC leaders.

Reappraisal

If Mr Dukakis wins in November, this will be well understood by the new administration. In that event, the British approach to South Africa would have to be reappraised. Legislation on economic sanctions now before Congress is far stronger than 10 Downing Street would like; a Democratic President would probably support its implementation, which might result in action against British exports. Mr Dukakis would probably support further United Nations action against apartheid (against a British veto?) and mount a major diplomatic offensive against Pretoria. This line would command support in the Commonwealth and the European Community, Bonn perhaps excluded.

Britain would be best placed if it enhanced its current policy of giving practical support to the black-ruled "front-line" states that ring South Africa. It would also be sensible to step back from a platform (trade missions, attacks on the African nationalists) which sends out the incorrect signal that it is really rather sympathetic to Pretoria. For while there is no question that Britain's Conservative Government opposes apartheid, we could be entering a period in which the rest of the world shows greater determination to bring pressures to bear against it.

Bridget Bloom looks at the slow progress of talks to free agricultural trade and the dangers of a trade war



"Major Major's father was a long-limbed farmer, a sober . . . law-abiding rugged individualist, who held that federal aid to anyone but farmers was creeping socialism . . . His speciality was alfalfa, and he made a good thing of not growing any. The Government paid him well for every bushel of alfalfa he did not grow. The more alfalfa he did not grow, the more money the Government gave him, and he spent every penny he didn't earn on new land to increase the amount of alfalfa he did not produce."

Stuck in the mud on farm reform

IT IS 25 YEARS since Joseph Heller wrote Catch 22 and the quotation refers to a pre-war era. But Mr Major's topsy-turvy farming world is not a thing of the past.

Joe Hottel, a farmer from Virginia who normally plants a mix of crops on his 5,000 acres, is only one of thousands of US farmers preparing to receive government cheques this summer for crops they did not produce: he reckons he will get $82,000 (£45,000) for not planting maize on a fifth of his farm.

Next summer it will be Europe's turn, since for the first time each member state of the European Community (EC) is preparing to pay compensation to farmers who leave idle at least 20 per cent of their arable land. The first national scheme to be announced was detailed yesterday by Mr John MacGregor, Britain's Agriculture Minister.

Such "set-aside" schemes, devised as a means of cutting back grain mountains, are only one of the absurdities of the rich world's agricultural policies. Through tariff and non-tariff barriers, domestic and export subsidies and publicly funded stocks, the world's rich countries, with the EC nations and the US in the lead, have spawned a system which their treasuries find increasingly hard to finance.

Between 1979-81 and 1984-86 the overall costs of support to the agricultural industries of countries in the Organisation for Economic Co-operation and Development (OECD) doubled to about Ecu 200bn a year (£132bn at current exchange rates). That sum is 250 per cent higher than the same governments' aid to developing countries.

Agricultural protectionism is increasingly recognised as having a seriously distorting effect on world trade and a potentially devastating impact on developing states. One recent study estimates that if such farm support were abolished, developing countries would be $26bn better off: most would benefit from higher world prices for their agricultural exports. The more efficient use of resources which liberalisation would bring would lead to better opportunities for trade and hence enhanced income.

The same study estimates that both the US deficit and its balance of payments would improve by as much as $40bn each, and the EC could create over a million new jobs in industry.

Yet the disturbing fact is that, while the EC and the US pay lip service to agricultural reform, they are today locked in a sterile war of words which, many believe, could lead to a bitter trade war. In the past few months, academics and politicians alike have warned that failure to reform agriculture could threaten the General Agreement on Tariffs and Trade (Gatt) – which is now accepted for the first time as the arena for international farm reform negotiations.

In an effort to galvanise these talks, Mrs Thatcher, the British Prime Minister and a devoted proponent of freer farm trade, is said to be planning to make agriculture a major issue at this weekend's economic summit in Toronto. But few observers rate highly her chances of breaking the logjam for both fundamental and tactical reasons.

The Gatt talks began quite well, given that the 96-member body has barely tackled agriculture before. The breakthrough came in September 1986, at a meeting in Punte del Este, Uruguay. There, the participants not only agreed that Gatt should negotiate farm reform but that tackling domestic subsidies, which had led to the creation of surpluses in the rich world and the consequent flooding of subsidised exports on to increasingly depressed world markets, was the key to a sensible ordering of agricultural trade.

For much of last year, momentum in the subsequent negotiations in Geneva was maintained as each of the major trading countries, or groups, submitted outline proposals. However, the gulf revealed between the US proposals, submitted last July, and those of the EC, submitted in the autumn, has stymied progress since. Such movement as there has been has seen these two apparently burrowing from opposite ends of a tunnel with no indication that they will meet in the middle.

The most obvious difference between Washington and Brussels is that while the US has proposed the complete abolition of all trade and production related subsidies within 10 years, the EC thinks this is unrealistic and unwise.

The European Commission, which negotiates on behalf of the 12 member states, rules out the abolition of the two-tier price system under which it pays its farmers higher prices than those pertaining on world markets. The Community's 11m farmers cannot be left defenceless against currency fluctuations and other unpredictable changes, its officials argue. The EC has said it favours a phased reduction in subsidies. But it has not said by when, or by how much.

From this central difference flow others, such as, for example, the US insistence, not always welcomed by the EC, that non-tariff barriers such as health regulations must be included.

Currently, the keenest dispute centres on the EC's insistence on short-term measures which would halt the most harmful effects of the "subsidy war." In a paper to the expert negotiating group in Geneva last weekend, the EC called for a freeze on subsidies at 1984 levels on cereals, rice, sugar, oilseeds, dairy products and beef.

It would also like minimum export prices agreed for these commodities, which would make competition with US products, currently favoured by the weak dollar, less costly. The US retort

Mrs Thatcher's chances of breaking the logjam at this weekend's economic summit in Toronto are not rated highly

to this has so far been that short-term measures can be at best a palliative. Until the EC commits itself to the long-term goal of reform, say US officials, Washington will not agree to short-term measures.

Over the past few weeks, the public slanging match has become more strident. Last week, following EC criticism of a decision to decrease the amount of land US wheat farmers will have to set aside this year, Mr Richard Lyng, the US Agriculture Secretary, spoke of his "deep disappointment" at the EC's failure to understand the US position. He called the EC's own set-aside scheme "pipsqueak".

Last month, in a outburst that shocked his largely expert European audience, Mr Daniel Amstutz, the US special envoy for agricultural trade and development, challenged the EC to come to terms with the "feudalism" of its agricultural policies and warned of "serious damage to western cohesion" if it did not.

Quite as important, since it could deteriorate into a trade war, is the current argument over soybean exports. The US Administration is taking up cudgels within Gatt on behalf of the American Soybean Association's complaint that subsidised EC exports have caused a loss of some $1.4bn in US sales. In retaliation, the EC is querying with Gatt long-standing US restrictions on imports of sugar and dairy products.

Neither in Washington nor in Brussels do these firmly held positions show much sign of weakening. In Geneva, efforts of the most important third group in the negotiations, the "Cairns group" of 13 food-exporting countries, have so far failed to produce proposals which could enable them to act as honest broker. Led by Australia, the group favours ultimate abolition of trade-distorting subsidies, but is striving to refine its proposals for interim measures.

Nearly two years into the Uruguay round negotiations, therefore, the most critical question is whether the differences between the US and the EC are so profound as to jeopardise the farm talks – and possibly even the whole Uruguay Round, since agriculture is such a vital element in it. Or are the differences merely evidence of tactical manoeuvring during very complex negotiations?

There are many reasons for believing the lack of progress is tactical. Top of the list is the imminent US presidential election: despite the protestations of Mr Lyng, Mr Amstutz and Mr Clayton Yeutter, the US Trade Representative, that the Republican Administration has bi-partisan support for its so called "zero option" on farm subsidies, there are suspicions in Europe that a Democratic President could well prove more protectionist. Even if Vice President George Bush were elected in November, his Administration would be likely to field a new team in Geneva, after which negotiations could begin in earnest.

Second, it may be argued that EC officials and politicians are currently in no mood to contemplate a more thorough review of their farm policies, if only because over the last year they have been preoccupied with the achievement of what they see as major reforms to the common agricultural policy (CAP).

These involve "stabilisers" for each of the main commodities, under which production ceilings will trigger cuts in payments to farmers. This week, EC agriculture ministers are battling in Luxembourg to fix farm gate prices for this season. The next intra-Community battle, on how far the EC should go in offering production-neutral direct aid to farmers (which could be a vital part of a final Gatt settlement) is likely to occupy the next few months.

Third, both the US and the EC are waiting to see whether the Cairns group will be able to find a compromise between the US insistence on long-term commitments and the EC's short-term approach in the proposals it is due to table next month in Gatt. Trade Ministers will meet informally in Pakistan in September to prepare for the mid-term review of the Uruguay Round in Montreal in December.

Against the tactical arguments, however, must be set two critical political factors. First, while the EC refuses to spell out the areas in which it might eventually compromise, it is clear it will not endorse the complete abolition of subsidies even as a long-term aim. This is principally because of divisions with the EC, highlighted by last February's Heads of Government summit, over the ultimate goal of its own farm policy. Britain wants tougher reforms; France is divided over the advantages its cereal exporters would have on liberalised world markets and the harm liberalisation might do to the farming vote; West Germany, despite its big manufacturing sector, is in favour of the status quo.

By its own lights, the EC has moved a fair way to curb the excesses of the CAP (and is miffed at Washington's lack of recognition of the "sacrifices"). But the CAP has become as much a social as an economic policy over the last 20 years and powerful political and vested farm interests want it to remain.

The central problem for farm reformers is that for the time being the political power of the conservative farm and associated industry lobbies is not counter-balanced by popular demand for change. There is little real appreciation of the high costs of farm support among EC voters and consumers.

So where does this leave the Gatt talks? It may not be necessary at this stage to take too seriously the direst warnings of disaster which emanate from Washington, which, for example, hold out the prospect of a much more protectionist US Farm Bill for 1990-95 if there is no progress in Geneva. Negotiations on the bill will probably not begin in earnest for 18 months, which would certainly give enough time for honest broking in Geneva and the achievement of enough progress to fend off the worst battles of the threatening trade wars.

But until there is a sea change in political attitudes towards farm reform within Europe, the outlook for any more radical solution to the absurdities of the world's farm policies looks very bleak.

OBSERVER

New look at the Bourse

■ After a strong performance as architect of the reform of the French stock exchange and defender of stockbrokers' interests, Xavier Dupont has badly muffed his exit line.

His resignation yesterday morning from the chairmanship of the stock exchange may bring regrets among many French and foreign bankers, but it had become inevitable after the suspicion that he had hidden from his members a FFr500m hole in the exchange's reserve funds.

Already the succession is arousing controversy. Banks which have bought stakes in Paris brokers are irritated that the new chairman, Régis Rousselle, comes from the broking community, which they see as the old brigade, and not from among the banks.

The 40-year-old Rousselle heads the largest broking firm in Paris, but some foreign bankers question whether a man who speaks no English will be able to spearhead the internationalisation of the Paris bourse.

The same criticism cannot be levelled at either Gérard de la Martinière, who takes over as chief executive of the stock exchange, or Gérard Pfauwadel, the senior Treasury official who is likely to replace de la Martinière at the head of the Matif financial futures exchange. Both are knowledgeable about financial markets and committed to internationalisation.

Their twin appointments may reinforce the hold over the Paris financial markets of the finance ministry, which has led the reforms. But the ministry will have to tread delicately. It was informed of the stock exchange reserve fund's trading losses in December, and some brokers are angry about the six months cover up.

Parkinson in red

■ Cecil Parkinson, the British Energy Secretary, has completed a visit to Peking noting that China's economic reforms are thinly-disguised Thatcherism.

"There was not one meeting at which Thatcher was not mentioned," he said. Moreover, the name was always used in the most favourable context, with Chinese officals making clear that they think her policies are right, he went on.

Some Chinese students have begun to notice the similarities between Dengism and Thatcherism as well. In recent days posters around Peking University have protested at the lack of compassion for the poor in the reforms and have been demanding that the wealth of some Chinese enterprises should be curbed by higher taxes.

Still, the Thatcherites seemed in command, even though many Chinese tend to confuse Thatcher with the Queen. At one meeting Parkinson turned up in a red tie, but all the Chinese officials wore blue. There might be a market in Peking, he said, for the collected works of Margaret Thatcher along the lines of those of Mao Zedong.

Unfair to Wright

■ Sir Patrick Wright, Permanent Under-Secretary at the British Foreign Office, says that the Japanese have some difficulty in translating his title. He told a lunch for visiting Nigerians yesterday that translated back into English, the Japanese version comes out as "immortal typist".

Subroto's return

■ Over the past year and a half Opec has had difficulty in agreeing on almost anything. Yesterday, however, ministers were united in the choice of the Indonesian Dr Subroto as the new Secretary-General.

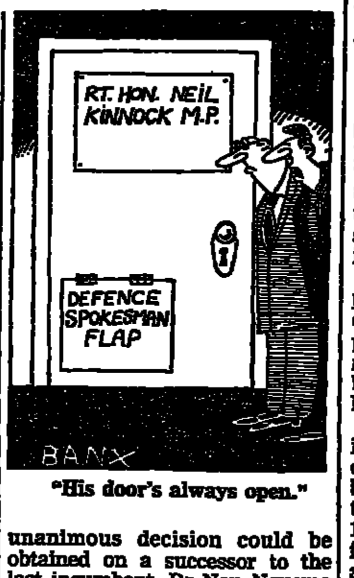
The post has been vacant for six and a half years because no unanimous decision could be obtained on a successor to the last incumbent, Dr Nan Nguema of Gabon, who was criticised for his long absences in Paris.

In case of failure to reach consensus on the appointment, the Opec statute says a "rotational basis" should be followed. The trouble was that the nationals of all member states have held the office and the first one was an Iranian in the early 1960s. The Arab states, who form the majority in Opec, refused to let the Iranians have it again.

An acceptable choice for most members was Dr Alerio Parra, a Cambridge-educated economist and a director of Petroleos de Venezuela. But Saudi Arabia wanted its own candidate and would not go along.

In the end, Riwainu Lukman, the Nigerian Minister of Oil, threatened to give up the Opec presidency unless Subroto was appointed, so consensus was reached.

Subroto is a brilliant tennis player who was at Stanford and Harvard. He began his career as an army officer, then did a doctrinal dissertation on Indonesia's terms of trade before becoming a public servant and professor. He was his country's Minister of Mining and Energy until early this year. If anyone can put Opec together, he can.



"His door's always open."

Buried in sand

■ Andrew Ross believes he can provide a fair representation of the Australian outback with 40 tons of builders sand deposited at the Riverside Studios, Hammersmith, yesterday for a forthcoming production.

The sand, arranged with a few pools of water and three "live" camp fires in two studios, will provide the stage – more accurately two stages – for No Sugar by Aboriginal playwright Jack Davies.

Ross, directing the play, says it is one of a new crop of Australian dramas "re-writing the history books" about the treatment of the Aborigines. Set in the early 1930s, it charts the uprooting of a family and their re-settlement in a camp 150 miles away. In keeping with the spirit of the play the audience is required to get up and move with the action as the family goes to the studio next door.

For the actors it is a novel setting. "We have never performed in a theatre before," said Ross. Previous productions were held in a 19th Century malt storage warehouse in Perth, two ice-hockey stadiums in Canada, and in the upstairs and downstairs halls of Fitzroy Town Hall.

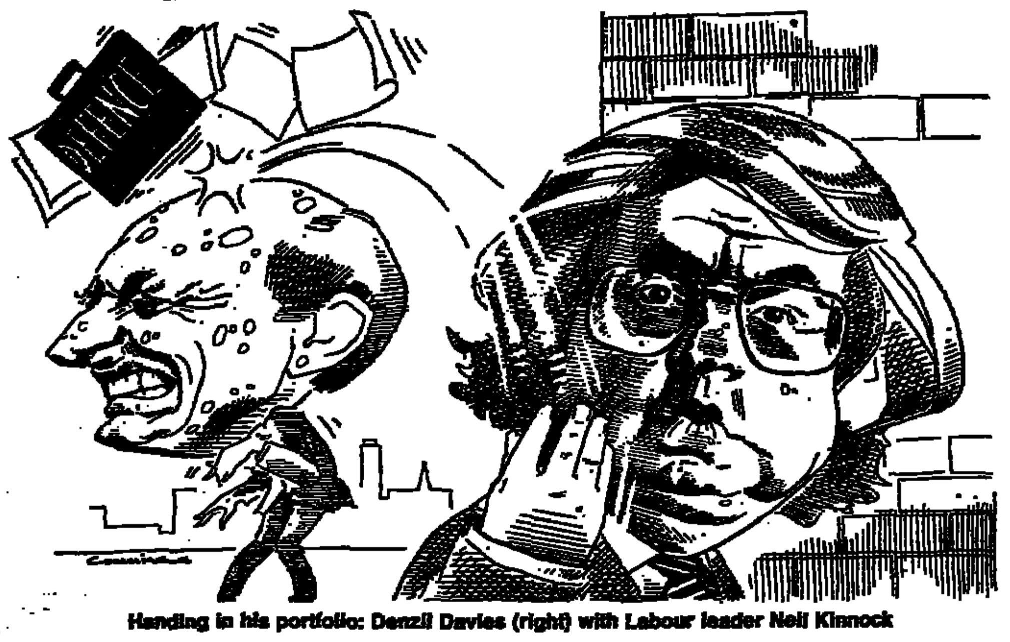
The play runs from 16 June to 2 July.

No Irish in him

■ Jack Charlton, the English manager of the Ireland football team, has become a hero in the Republic since the victory over England in the European Cup on Sunday.

The story is told that when he became manager last year Ireland played Bulgaria in Sofia. The band struck up with the Irish national anthem. Charlton assumed that it was the Bulgarian and commented: "I hope ours doesn't go on as long as that."

Michael Cassell on the implications for the Labour Party of Denzil Davies's resignation



Handing in his portfolio: Denzil Davies (right) with Labour leader Neil Kinnock

The fallout after the Kinnock bombshell

MR NEIL Kinnock's attempt to secure a cautious shift in Labour's commitment to unilateral nuclear disarmament appears to have run into trouble.

The extraordinary resignation of Mr Denzil Davies, Labour's defence spokesman, in a telephone call to a news agency in the early hours of yesterday morning, may partly reflect the character of a man regarded by fellow MPs as a bright, highly emotional and unpredictable colleague.

But his decision has also dramatically underlined the sensitivity of an issue which always invokes deep and passionate emotions for Labour.

Mr Davies, a Welsh-speaking barrister who had handled the party's defence brief well for four years, has always been regarded as something of a maverick.

His unilateral decision to depart, criticising his leader openly as he did so, was immediately portrayed by a stunned Kinnock camp as being entirely in character. Mr Kinnock's supporters were anxious not to attack Mr Davies too fiercely, however – he has, after all, held an important brief for four years.

The portfolio he held was particularly sensitive: Labour leaders have become accustomed to the agonies involved in attempting to shape a defence policy for the nuclear age with which both the party and the electorate can happily live.

In the last two general elections, Labour campaigned on its commitment unconditionally to dismantle its own nuclear forces and to insist upon the removal of US nuclear weapons from Britain.

The merest suggestion of a change in the party's commitment to providing a moral lead in the move towards global disarmament has invoked cries of betrayal.

Following the party's third, successive election defeat, the bulk of the party believed it had little option but to go along with Mr Kinnock's post-election policy review, in which no party doctrines were to be considered sacrosanct. But defence strategy was certain to be one of the most delicate issues – and it was supposed to be relegated to the second stage of the two-year policy review, after this autumn's party conference.

Ten days ago, however, Mr Kinnock said in a television interview that he rejected "something for nothing" unilateralism, leaving it open to interpretation what he wanted to see in its place. The remark opened a vein on the socialist body politic well before the blood-letting was expected to start.

The delay in considering defence issues stemmed partly from the delicacy of the subject, partly from the leadership's wish to monitor international progress on arms reduction before reshaping Labour's own strategy.

While seven policy groups pencilled in the outlines of future policy on most issues over the past months, defence was effectively shelved.

It is Mr Kinnock who has now forced the pace. If his intention, by expounding his views on TV, was to signal a start to the necessary debate on defence and to help him gauge the readiness of his party to consider change, he has succeeded spectacularly.

Some party critics claim he has gravely miscalculated the likely extent of the backlash and that he has undermined not only his own position but that of Mr Roy Hattersley, his deputy. It is clear Mr Kinnock did not expect the calculated snub earlier this month from the Transport & General Workers' Union, which decided to postpone its expected endorsement of the Kinnock-Hattersley ticket in the forthcoming leadership election.

Support for the view that a Kinnock leadership – regarded as increasingly detached from the parliamentary party – could do with a timely ticking off might play into the hands of Mr John Prescott, who wants Mr Hattersley's job.

To the Left, Mr Davies' resignation provides dramatic evidence that the policy review process is a Kinnock-dominated "sell-out" intended to provide the leadership with a cover for the dumping of socialist principles in favour of a quasi-Thatcherite alternative.

Allegations of Mr Kinnock's high-handedness, combined with widely-expressed doubts about the influence of the small, select group of advisers who surround him have been used by his detractors to enforce their case. Few of his traditional supporters, however, accept the allegations; they emphasise the need for a Labour leader to rule firmly.

Less vociferous critics blame him none the less for provoking an unnecessary row by failing to spell out in more detail, and in more appropriate surroundings, his latest views on defence.

Mr Kinnock's colleagues are insisting that he had no intention of pre-empting the review process and that he was not spelling out a final position on defence strategy. The intention was to begin to acclimatise the party to changes which he believes are necessary to take account of the "new realities".

Those realities do not, above all, include the abandonment of Labour's commitment to a non-nuclear defence strategy, a pledge which he forcefully underlined during his television appearance.

However, Mr Kinnock did spell out his personal conviction that the recent US-Soviet treaty on intermediate nuclear weapons provides the first tangible signs of success on the long road to multilateral disarmament. In the light of that, he argues, Labour's own strategy must be updated.

His view, with one eye fixed firmly on electoral acceptability, is that old-style, go-it-alone unilateral disarmament on the part of Britain will be unnecessary at a time when the Soviets are eager to lower east-west tensions and nuclear stockpiles.

In place of "something for nothing" unilateralism, Mr Kinnock envisages a "something for something" process in which Britain could enter bilateral negotiations with the Soviets aimed at achieving missile-for-missile cuts.

The strategy could, depending on US-Soviet progress towards strategic arms reductions, conceivably elevate Trident to the status of a commissioned, negotiating tool. Alternatively, a Prime Minister Kinnock could freeze deployment of Trident to await the outcome of superpower talks.

Either way, Trident would no longer be seen as something to be unconditionally abandoned. Such a strategy which would still deeply divide those accepting Mr Kinnock's new realities from those sticking to the CND creed.

His critics outside the party will enjoy portraying his ideas as naive and untenable. A missile-for-missile reduction could, they stress, undermine Nato strategy and would lead to an arms reduction deal unbalanced heavily in the Soviets' favour. Government ministers will try to exploit Mr Kinnock's difficulties and to emphasise that the successes so far achieved in arms reductions have only been achieved through mutual strength.

Mrs Thatcher, unlike President Reagan and Mr Gorbachev, cannot envisage a world without nuclear weapons and, whatever their aspirations, the Americans and the Soviets believe such a time remains a long way off.

Mr Kinnock's timetable is more pressing. The second stage of Labour's policy review will begin in the autumn and defence policy is certain to loom large in the remaining stages of the present leadership contest.

The crunch will not, however, come until the 1989 conference, when the party will be expected to pass judgement on a defence strategy capable of winning majority support among an electorate which remains deeply suspicious of Labour's position.

Mr Kinnock has to help formulate an approach which can be presented as an important contribution to the international peace process, but which simultaneously preserves the nation's security.

He will still have to sell the attractions of a non-nuclear defence policy in the face of evidence which suggests most people believe Britain should retain a nuclear strike capacity as long as any potential aggressor.

The party leadership appears confident that it can mastermind the transition. Mr Kinnock believes that when what he has been saying is fully explained and understood, his views will be accepted within the party as the basis for a realistic defence strategy more in line with changing world events than that of a "nuclear-obsessed" Mrs Thatcher.

The debate has not, so far, gone Mr Kinnock's way. Mr Davies' unexpected telephone call has introduced a new, highly damaging twist to the party leader's plan for an orderly progression towards government.

The Soviet economy

Joint ventures: a way to make perestroika work

George Soros

THE INTERNAL transformation under way in the Soviet Union is potentially the most promising historical development since the end of the Second World War. The war brought about the demise of Nazism; the current changes could mean the end of Stalinism in the Soviet Union. Mr Gorbachev has launched an all-out effort to break with the Stalinist past. There is no reason to doubt his intentions; but one cannot avoid having grave doubts about his chances of success.

Stalin has been dead some 35 years; but so great has been the devastation wrought by his reign of terror that the country has not been able to rid itself of the structures that he has left behind. Khrushchev tried but failed. Gorbachev has already gone much farther than Khrushchev ever did in introducing free speech, or glasnost; but in order to attain the kind of popular support which is necessary for a more democratic regime, he must also succeed with his plans for economic reform, or perestroika – and that is where his difficulties lie.

In the absence of economic progress, the hopes raised by glasnost will yield to disappointment and eventually disorder. Disorder will invite repression and the window opened by Gorbachev's initiative will be shut tight.

The Soviet Union is at a great disadvantage when compared with other communist regimes which are attempting to introduce market-oriented reforms. Both China and Hungary have been successful in agriculture and this has provided a solid base for further reforms. China has the overseas Chinese community to draw on and in Hungary the spirit of enterprise has never been totally extinguished. In addition, both countries have received considerable support from the World Bank and other foreign sources. Even so, the reform process has run into difficulties, especially in Hungary.

In the Soviet Union, the infrastructure necessary for economic reform is simply non-existent. Job security on the one hand and the lack of anything attractive to buy with roubles on the other have removed all incentives for efficient production. The only rewards available are the perks of office, and they have nothing to do with efficiency. There is a truly astonishing lack of understanding of the market mechanism at all levels of society. Newly permitted co-operative enterprises encounter almost insuperable obstacles and widespread hostility. In my opinion, perestroika cannot succeed without the infusion of managerial and entrepreneurial skills from abroad.

The Soviet Union has recognised the need for joint ventures but is unwilling to spend hard currency on consumer goods. Without proper access to the domestic market, joint ventures cannot reach the critical mass which would be needed for them to make an impact on the Soviet economy.

The perceived wisdom, both in the East and the West, is that foreign borrowing is best used for investment purposes. This doctrine is perilous for a planned economy because a state mechanism cannot invest efficiently. The amounts wasted can be very large, as the experience of Eastern Europe in the 1970s has shown.

It would be much better for the Soviet Union to allocate a large amount of hard currency for consumer goods. This would help re-establish the value of money and build immediate popular support for perestroika. Given the proper incentives, joint ventures could be relied on to make the right investment decisions. They would create an enclave of efficiency, which would have a much-needed demonstration effect on the rest of the economy.

Presumably, there would be a two-tier currency system consisting of a convertible and a non-convertible rouble. The difficulty lies in designing the proper transmission mechanism between the two currencies. It is imperative to avoid inflation in non-convertible roubles because it is through the enhanced purchasing power of his money that the ordinary citizen would benefit from perestroika.

This could be accomplished by allowing domestic distributors of consumer goods to bid for convertible roubles on a competitive basis. The resale of these goods for non-convertible roubles would reduce the supply of money and enhance its purchasing power.

Even so, it may be necessary to remove the overhang of unspent roubles by exchanging them for convertible roubles. The availability of desirable consumer goods at reasonable prices would render the exchange tolerable and the enhanced purchasing power of the rouble would allow the authorities to introduce much-needed price reforms in the rest of the economy.

The periodic auctions would establish an exchange rate between convertible and non-convertible roubles. Goods produced by joint ventures would enjoy a competitive advantage over imports due to their lower hard-currency content. This would be reinforced by a scale of tariffs which would be stiffest for finished goods and most lenient for capital goods. Another option is to make a preferential allocation of currency for the products of foreign companies which agree to set up joint ventures. Foreign participation in distribution and other services, where the need for efficiency is even greater than in manufacturing, would be also encouraged. Profits could be converted at the exchange rates established by the periodic auctions.

To ensure critical mass, several billion dollars' worth of roubles would have to be auctioned off every year. The auctions could tail off gradually as both exports and import substitution pick up. Even so, the foreign exchange requirements would exceed both the willingness and the ability of the Soviet Union to borrow.

It is at this point that imaginative leadership from abroad could play a decisive role. An international banking syndicate could be formed to finance the auctions as well as the credit requirements of the joint ventures. Half the capital would be subscribed by the Soviet Union (pledging some of its gold reserves) and half by the developed countries, including Japan and even Korea.

Large-scale foreign credit would have to be conditional on a large-scale reduction in conventional armaments. Since both issues are complex and time is short, the two sets of negotiations would be best carried on concurrently.

The author is adviser to the Quantum Fund

'This provision has two vices'

From Mr Christopher Morcom.

Sir, for the first time in more than 30 years, Her Majesty's Government has, in the Copyright, Designs and Patents Bill, the opportunity and the means to remove some of the less sensible features of our existing copyright law.

Much has already been said of the Government's failure to deal with one such feature: the theory (in the sense that the law is in practice unenforceable) that "home taping" of phonographic recordings is illegal.

If a new provision, recently introduced into the bill at the committee stage, becomes law, people who make video recordings for personal viewing, of television programmes which incorporate copyright material, will in theory be guilty of infringement if they fail to destroy or erase the recordings within 28 days.

The provision has two vices. It is unreasonable, and it is also unenforceable in practice.

The programme making industry must expect video recorders to be used to record programmes for personal viewing. Even if recordings made for personal viewing are kept indefinitely, in most (if not all) cases this is unlikely to cause any actual financial loss to copyright owners. Even if it can be shown to do so in some instances, is it beyond our legislators to devise a better compromise which, while duly respecting the rights of authors and composers, is fair and realistic as regards the individual, in allowing retention of recordings solely for use which is personal and non-commercial?

If the Government will not think again about this proposal, then it is to be hoped that members of Parliament will see that it does not reach the statute book.

Christopher Morcom,
1 Essex Court, EC4

Letters to the Editor

The true cost of put convertibles

From Mr George Lemos.

Sir, The judicious observations on put convertibles by Lex (June 13) omit a further significant problem for the companies which issued them: that the deductibility of the redemption premium for tax purposes is doubtful, to say the least.

If it turns out that the premium is not deductible, the issuers will find not only that their anticipated interest savings will have evaporated, but that in after tax terms their borrowings will have cost considerably more than under a conventional instrument.

If, at last, there is to be disclosure of the true potential cost of put convertibles, the tax factor cannot be ignored; the weakness in existing law, in the case for the deductibility of the redemptions premiums, ought to be made clear.

Sadly, proper disclosure is an unlikely dream. The managements which incurred these obligations made much of the cheapness of put convertibles, but very little of the dilution which was the necessary premise of cheapness. They are not more likely now to point out the outcome that presently seems more probable – the excessive cost.

I scarcely need to add that put convertibles are yet another case where inadequate standards of disclosure do much to harm shareholder interests.

George Lemos,
Freud Lemos,
36 Great James Street, WC1

Productivity applies to the NHS

From Mr Stephen Hill.

Sir, Mr Joe Rogaly's article carries the subtitle: "If the national health service (NHS) is made more efficient it will cost more" (June 10).

The current debate consistently omits consideration of the real issue: productivity. New technologies, products and services are being developed which are revolutionising the delivery of health care throughout the world. We have invested in several companies, at home and abroad, whose products or services enhance "medical productivity." The real question to be answered is: why does the UK health service fail to take advantage of these developments in a timely manner?

In the UK, health care is synonymous with the building of new hospitals. Building costs always exceed budget; staffing costs approximate to 80 per cent of the annual budget; the manager has no effective tools to measure productivity. Only 4-6 per cent of the budget is spent where it counts – near the patient.

By spending more money nearer the patient, on new technologies and products, more effective use will be made of existing hospitals. Productivity is inseparable from professionalism. If the NHS is made more efficient it will cost less.

Stephen Hill,
Guinness Mahon Development Capital
32 St Mary at Hill, EC3

Proposals to end world hunger

From Mr John Mitchell

Sir, Governor Dukakis is now not only likely to be the Democratic candidate for the Presidency, but the next President of the United States (Leader, June 10). His views on US foreign policy are therefore of great interest.

In an important campaign speech earlier this year he drew attention to the fact that:

"In the next 10 minutes, 300 children in the less-developed countries will die of preventable disease or hunger. 10m Africans in 15 countries are on the edge of starvation – in a continent that once could feed itself. The images of human tragedy – the stick-thin legs and hollow eyes and swollen stomachs of our fellow human beings – rise up before us and challenge us as a nation and as a caring people."

He pledged that as President he would:

". . .propose to Mr Gorbachev that on the day we sign an agreement making deep cuts in strategic arms, we should create an international humanitarian relief fund, and each of us should put up a half billion dollars a year of what we save in weapons expenditures to fight famine and poverty and disease throughout the developing world."

He concluded by saying: "John Kennedy and Lyndon Johnson did not accept the inevitability of hunger in America. They did something about it. Now, we need a President for the 1990s who will not accept the inevitability of hunger anywhere."

That Governor Dukakis has made specific proposals for US action to end world hunger a key part of his campaign platform for the Presidency is one of the most encouraging developments in this year's US presidential election.

John Mitchell,
World Development Movement,
Bedford Chambers,
Covent Garden, WC2

Port facilities change to serve the patterns of modern shipping

From Mr Nigel Walker.

Sir, It is a pity that, in an otherwise excellent survey on the City of Cardiff (Financial Times, June 9), Anthony Moreton seeks to perpetuate the myth that the port of Cardiff is dead or dying.

While it is true that the part of the docks system in and around the Bute East Dock is no longer in use, and has been earmarked for redevelopment by Associated British Ports (ABP), the general cargo activities of the part are now largely concentrated on the Queen Alexandra and Roath Docks, which continue to flourish.

Unless Mr Moreton's inspection occurred during an exceptionally quiet period, he would have seen the quays stacked with timber, steel and coal, and warehouses filled to capacity with fruit and vegetables, metal and timber products. Indeed, additional warehouse accommodation is currently under construction at Cardiff.

Perhaps Mr Moreton would like to consider the following:

In 1987 the port of Cardiff handled a total of 2,600,000 tonnes of cargo; an increase of nearly 350,000 tonnes of cargo over and above 1986. The port may no longer be "the greatest coal exporting port in the world," but it has successfully diversified into handling a wide range of other cargoes. These include general cargo, petroleum, scrap metal, grain, and other bulks. A wide range of industries depend on the port, and we are confident that Cardiff will continue to play an important role in the local and national economy, whatever the proposed developments in Cardiff Bay.

Declining and derelict docklands have become a cliché which ignores the true nature of the changes that have taken place in the ports industry over the past 20 years. The port of Cardiff has been in existence for over a century; it is not surprising that it has had to change to accommodate the development in port transport systems which has taken place in recent times. A superficial look at any traditional port today might well reveal areas of apparent dereliction, but more perceptive observers will realise that this is merely the result of the changing face of port facilities needed to serve the patterns of modern shipping industry.

Ports today have to provide an efficient service which can load and discharge vessels in the shortest possible space of time. The reception and distribution of cargo goes on apace. The sight of an empty and apparently deserted dock is frequently a sign that a port has been successful in turning round its customers' ships quickly and efficiently – and not necessarily an indication that the port is no longer in use.

Nigel Walker,
Associated British Ports,
150 Holborn, EC1

FINANCIAL TIMES

Wednesday June 15 1988

Bob King in Taipei reports on the run-up to the ruling Nationalist Party congress

Taiwan wrestles with reform

SEEMING chaos rules as Taiwan prepares for the 13th congress of the ruling Nationalist Party in July.

The Taiwanese Parliament has erupted time and again in fist-fights and name-calling; workers have pelted trade officials with eggs; railroad men have walked off the job, paralysing rail traffic throughout the island; and on May 20 a demonstration by farmers erupted into the worst violence the island has seen in 41 years.

A more reasoned view suggests that Taiwan, after four decades in which such actions would have constituted treason, is wrestling with questions that will be answered publicly during the Nationalist conclave next month.

Most of the venerable Nationalist dogmas, to which the decades-old claim to represent all of China is central, have come under intense scrutiny over the past year or so by people who, before the surge in reforms launched by former President Chiang Ching-kuo, preferred to keep their misgivings about the system to themselves.

Even before Mr Chiang's death last January, however, many of their complaints had begun to surface – spurred, no doubt, by the more liberal atmosphere the reforms implied.

Suddenly, members of Parliament and other bodies have been calling for investigations into previously sacrosanct areas such as dubious arrests and convictions of political and military figures over the past five decades, the disposition of Taiwan's foreign-exchange reserves, and details of the defence budget.

The Government has responded to some degree to these and other queries. It has also set forth guidelines under which ageing members of Parliament, the national assembly, and the controlling body of the *yuan* – who last stood for election more than 40 years ago on the mainland – will be persuaded to retire and replaced with younger representatives elected from Taiwan.

At the same time, the Government has come under fire from labour and farmers' groups for its handling of their interests – fire which would have provoked the iron fist in earlier years. So intense has the agitation been, in fact, that many residents worry Taiwan's dearly-bought stability of past decades, and the economic prosperity that followed, might be in danger.

More sober heads, though, read current events as "system-tests" leading up to the 13th party congress, during which the ruling Kuomintang will bring cohesion to many of the isolated changes now taking place.

Also on the agenda are Taiwan's relations with China and the rest of the international community. That means either maintaining, expanding, or retreating from already-liberalised policies toward China, such as last year's decision to allow Taiwan residents to visit close relatives in China and the sanctioning of indirect trade links through third parties, such as Hong Kong.

Conservatives, who believe current liberalisations already concede too much to the Communists, naturally oppose further loosening of the reins. The more pragmatic faction, in turn, believes that the openings to China should be drastically enlarged, even to the point of allowing Chinese to visit Taiwan.

They also believe that the Government should allow any Taiwan resident – not just those with close relatives in China – to visit there, on the grounds that more private contacts will better acquaint the Chinese rank-and-file with developments in the "other China."

They also favour enhanced trade ties, including the right for Taiwanese to invest in China: many Taiwanese businessmen admit privately that they are already dealing with, and investing in, China through entrepôts such as Hong Kong.

Recent comments to leading industrialists by President Lee Teng-hui, Chiang Ching-kuo's anointed successor and acting party chairman, indicate that the Government for the first time is considering the pros and cons of allowing investments in China if they can be shown to be in the national interest.

The Taiwan-born Mr Lee has said he emphasises lessening tensions across the Taiwan Straits. Subsequent government pronouncements, though tentative, seem to point to increased private contacts and co-operation.

Internal issues will command no less attention. The party, for example, is expected to formalise the number of new seats to be opened in Parliament to candidates born in Taiwan.

These candidates will essentially replace elderly members elected in China 40 years ago – a tricky issue, because by whittling down mainland-born participation the party could be seen as backing away from its claim to represent all of China.

But continuing to stack the deck in favour of the China-born players would irritate many in Taiwan who believe that the national bodies should be more representative of the island.

Central to all of these questions, and to the party's avowed goal of accelerated democratisation, is reform of the party itself, which will be a major concern of the party congress.

Some pragmatists argue that Taiwanese society cannot become more democratic until the ruling party is willing to tolerate differing opinions within its ranks.

Police use clubs and shields to subdue violent riots in central Taipei which followed a demonstration by farmers last month

US tobacco ruling sets lawyers alight with enthusiasm

By Anatole Kaletsky in New York

THE US tobacco industry was putting a brave face yesterday on its first defeat in a product liability lawsuit. But plaintiffs' attorneys around the country were jubilant about Monday night's decision by a Federal court to award $400,000 in damages to the husband of a New Jersey woman who died of lung cancer in 1984 after a lifetime of heavy smoking.

Tobacco manufacturers' shares fell only marginally yesterday morning in response to the verdict and Wall Street analysts mostly minimised the financial implications of what one of them called "this very limited decision."

But the tobacco industry's opponents predicted that thousands of lung cancer victims and their families would be encouraged to file lawsuits against the cigarette companies after Monday's award.

"This verdict sets a tremendously important precedent. It shatters the aura of invincibility that has been the principal defence of the tobacco industry against a flood of lawsuits," said Professor Richard Daynard, of Northeastern University Law School in Boston, Massachusetts.

The tobacco industry had neither lost nor settled a single one of the 300 lawsuits filed against it until Monday's case, in which Liggett Group, the manufacturer of Chesterfield, Lucky Strike and L&M cigarettes, was found partly liable for the death of Mrs Rose Cipollone.

Professor Daynard, who heads the Tobacco Product Liability Project, an anti-smoking organisation, said that plaintiffs' lawyers were already appearing on television to draw Monday's judgment to the attention of the public.

While $400,000 might seem a very small sum for the tobacco companies and for Wall Street, it represented a sizeable amount for individuals.

While Monday's $400,000 award was nowhere near *sufficient to cover the investment* of time and money put in by Mrs Cipollone's lawyers, Professor Daynard pointed out that this was unlikely to discourage new litigation.

Similar lawsuits would be far cheaper to bring in future because information about the industry's practices, which had cost hundreds of thousands of dollars to assemble for this case, would be made available to other litigants for only $100, he said.

The industry, however, took comfort from several details of the Cipollone verdict.

The jury decided that Liggett had implied an "express warranty" about the safety of its products prior to 1966, when the Federal Government mandated health warnings on cigarette packets. Liggett's advertising for L&Ms featured the phrase "just what the doctor ordered," while Chesterfields were promoted with the slogan "play safe – smoke Chesterfields."

In addition, the jury found that Liggett failed to warn customers about the known dangers of smoking.

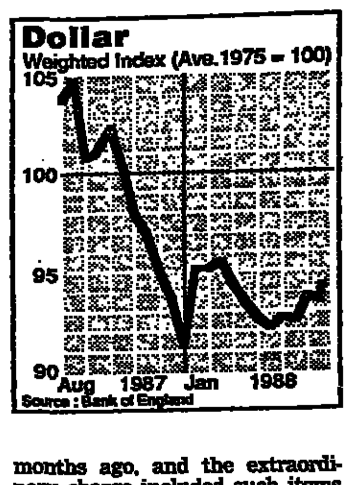
No damages were assessed against Liggett on the failure to warn charge because the jury felt that Mrs Cipollone carried 80 per cent of the blame for her death – and the law says damages can only be assessed against a plaintiff who is liable for at least 50 per cent of the damage.

Even more importantly, the jury rejected the plaintiff's claims of a fraud and conspiracy within the tobacco industry designed to mislead the public about the dangers of smoking. If these charges had stuck, the industry might have found itself exposed to much higher punitive damages, on top of the limited specific damages that could be proved in any one case.

THE LEX COLUMN

One deficit down, one to go

Enjoy the summer rally while it lasts. The US trade data for April was the best of all possible outcomes, and while the usual provisos about the dangers of attaching undue significance to one month's figures need to be underlined, it would be churlish to ignore the potentially optimistic message coming out of the latest figures. The sharp decline in imports combined with the continued buoyancy of exports suggests that the three year slide in the dollar is at last having an effect. More competitive US businesses are stealing market share from their overseas rivals, while the economy may be starting to make the transition away from the consumption-led growth which has worried the financial markets for so long.



The US bond markets, where yields have dropped to levels which would have been unthinkable during last month's inflation jitters, are clearly of the opinion that things have changed for the better; and, judging by the foreign capital that is once again flowing into the dollar, they are not alone in their judgment. However, while a strong dollar may underpin the confident mood in the short term, there is still a powerful tug of war going on behind the scenes, and, unless there is a marked slowdown in US economic growth or a reversal of the gradual acceleration in the pace of US inflation, it is hard to paint a year-end picture where US interest rates are much lower than they are currently. At this stage of the economic cycle, when authorities in both the US and overseas are facing pressure to tighten monetary policy, the bond market would not seem to be the safest long-term home for investors.

As long as the bond markets remain in buoyant mood, equities are likely to be dragged higher. Ever since last October's crash, institutional liquidity has been climbing and, with the end of the institutional managers must be re-examining the wisdom of keeping so much cash on deposit. This could prolong what still looks like a healthy rally in a bear market.

Northern Foods

Maybe it was the unpleasant sensation of Hazlewood's breath on its neck that explained the unexpectedly strong increase in profits at Northern Foods. Sceptics may note the tax charge was four percentage points lower than the company indicated six months ago, and the extraordinary charge included such items as the cost of franchising its milk rounds, which arguably belonged above the line. Meanwhile, the benefits from rationalisation at Bowyers seemed to have been brought through somewhat hastily.

Even if such doubts are warranted, the company has a strong enough story to tell of its immediate past and prospects to frighten any bidder, without using any fancy devices. A 23 per cent increase in UK profits in the second half shows that its savage efficiency drive of the past two years and withdrawal from the US is paying off. While the gains from that process should give profits another large kick forward this year to £87m or so, beyond that acquisitions will be needed to sustain growth at a market pace. With cash already mounting, the real constraint seems to be foot-dragging by the management, which is no doubt wary after its previous spotty record at making acquisitions.

These prospects do not quite support the earnings multiple of 11, suggesting that some investors expect a bid. Others do not, however. While Northern gets a decent return from producing chilled foods for Marks and Spencer and from its regional or specialised brands, such unglamorous businesses do not make it another Rowntree or Cadbury, or even a Unigate, in the eyes of a potential buyer.

Tobacco shares

Investors in tobacco companies are so touchy that a decision by a US court to fine Liggett $400,000 for the death of a chain-smoker initially reduced the market value of the whole industry by over a billion dollars. Even Rothmans, which does not sell cigarettes in the US, was at first deemed to be worth 5 per cent less. More startling was how quickly the shares recovered, and having received a little guidance from BATs about how the apparently devastating judgment should be interpreted, investors at one stage judged BATs to be worth more as a result of the news.

In the end, the small fall in tobacco shares seemed to get the measure of it. The case appears to be specific to Liggett, arising in part from an unfortunate advertising slogan the company used in the 1950s, claiming Chesterfield cigarettes were "Just want the doctor ordered". On the other hand, to argue that for all other tobacco companies the verdict was actually good news – because the industry was found not guilty of conspiring to withhold information on the risks of smoking – is pushing it a bit. This is the first time the industry has lost a product liability case, and the decision will surely invite further cases from victims of lung cancer. But even if – as is questionable – the Liggett verdict is the first of many, investors should not be unduly alarmed. After all, BAT is not on 6.3 earnings multiple for nothing.

Paris bourse

There will no doubt be some smug self-satisfaction in the London and New York stock exchanges at the incredible financial mess which has led to yesterday's abrupt departure of the two top officials at the French stock exchange. The idea that close to a third of the stock exchange guarantee fund could disappear because of a failed gamble on the financial futures market, which was then covered up for several months, has clearly not helped French efforts to establish Paris as a serious competitor in the international financial markets. Given the undoubted success of Mr Dupont in modernising the exchange, his departure is a cruel blow, but there is really no alternative if the French authorities are serious in restoring credibility. London and New York have both had their own stock exchange scandals in the past and Paris will surely recover from this embarrassment. The real danger is that the authorities will overreact and impose new regulations which will stifle Paris's very real attractions.

UK outlines farmland scheme

By Bridget Bloom in London

DETAILS OF Europe's first official scheme to pay farmers to leave arable farmland idle were announced in the UK yesterday.

Mr John MacGregor, Minister of Agriculture, said Britain would introduce the set-aside scheme to cover the autumn planting. Farmers would be paid £130 to £200 ($236-$364) a hectare a year to leave land fallow or to cover it with woodland or a crop such as clover that would be ploughed in at the end of the season.

The scheme will cost £16m in 1988-89 and £22m in each of the two following years.

The European Community wants to remove land from production in the hope of reducing cereal and other farm surpluses, as well as agricultural budgets. In the last five years, agricultural spending, accounting for two-thirds of the EC budget, has nearly doubled and is perilously close to this year's limit of Ecu27.5bn ($33.1bn).

The EC has taken the set-aside idea from the US, where about 70m acres have been removed from cereal, oilseed and other crop production over the last five years. However, the US scheme is, in effect, mandatory, because the Government supports only farmers who participate.

The EC set-aside has been conceived on a much smaller scale. Initial reaction from farmers yesterday was that the compensation would be sufficient to attract only the most marginal land, which would mean the scheme would have relatively little impact

In a reply to Mr David Clark, Labour spokesman on agriculture, Mr MacGregor denied that the scheme would simply pay farmers for doing nothing.

Stuck in the mud, Page 18; Background, Page 32.

Hewlett-Packard chief says chip shortage is hitting sales

BY TERRY DODSWORTH IN LONDON AND LOUISE KEHOE IN SAN FRANCISCO

THE WORLD shortage of memory chips is likely to intensify in the second half of this year, Mr John Young, president of the Hewlett-Packard computer group of the US, said yesterday.

Mr Young's statement, made at a meeting of stock market analysts in New York, lends further weight to recent evidence that the crisis is deepening at a time when many industrialists were expecting it to disappear.

His speech also confirms that the shortages are producing an artificial slowdown in the computer industry, which is highly dependent on memory semiconductors. Hewlett-Packard had already delayed its introduction of a new desktop computer by four to six months, he said, while memory chip supplies were "getting much tighter."

Japan is the world's leading supplier of memory chips. All but two American manufacturers abandoned the industry in the early 1980s because of the pressure from low-cost Japanese producers. Europe's only indigenous supplies come from Siemens of West Germany, which began production in January this year.

Memory semiconductors are key components in a wide variety of electronic products other than computers, including the latest generation of office equipment and consumer electronic products.

Computer companies have been reluctant to admit production was being affected by the problems in the semiconductor industry but several leading US computer manufacturers, including Sun Microsystems, Apple and Compaq, have now acknowledged that sales are being constrained by their ability to find memory supplies.

Serious supply shortages in the industry began to emerge in the first quarter of this year, with widespread complaints from users hit by rapid price increases. In the UK, for example, the Amstrad computer group put up prices of its personal computers by £50 ($90) at the beginning of April to compensate for its additional costs.

Mr Alan Sugar, chairman of Amstrad, complained then that the company was being forced to pay heavily for spot market supplies by "pirates" in the dealer organisations.

Spot market prices of the present standard range of memory chips – 256K dynamic random access memories (DRAMs) – are widely quoted as high as $15 for products selling for $3 last year, even for large volume purchasers.

Many users claim the shortage results from the anti-dumping trade pact between the US and Japan agreed last year. Others argue that it is a consequence of technical problems caused by the changeover to production of 1 megabit chips.

US chip makers outmanoeuvred, Page 4

G7 likely to augment indicator list

Continued from Page 1

excluded it from the second index.

Gold is to be given a weight of 5 per cent in the index which includes oil and of 10 per cent in the non-oil basket. Those figures represent a compromise between the 1.5 per cent the metal would receive on the basis of its importance in world consumption of commodities and the 15 per cent initially sought by the US to reflect its wider monetary role.

There remain differences, however, on the importance that should be attached to commodity prices in national policy decisions. Mr Baker is enthusiastic about their potential in guiding decisions on monetary policy, but European governments are far more sceptical.

A separate idea tabled by Mr Baker last month to establish "monitoring zones" for all the economic indicators is not expected to be discussed in detail at the summit. US officials acknowledge that more work is needed before the idea can be significantly advanced.

The Canadian compromise on sub-Saharan Africa is an attempt to bridge differences between various aid plans – notably those proposed by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, and by Mr François Mitterrand, the French President.

It suggests that instead of opting for a single form of debt relief, the Paris club of Western nations should agree that each creditor country be able to choose from a menu of options.

These would include the interest rate subsidies proposed by Mr Lawson, the debt write-offs suggested by President Mitterrand, and the stretching out of debt maturities favoured by the US.

Officials say that there are still problems with the compromise, particularly in establishing the "equivalence" of the different forms of assistance.

In particular, it is difficult to see how longer maturities would give assistance to the poorest countries comparable to that provided by lower interest rates or debt write-offs. The signs, however, are that an agreement, in principle at least, will be reached at the summit.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	24	75	Malta	S	30	86	Rhodes	S	27	81
Algiers	S	27	81	Edinburgh	S	14	57	Manchester	S	22	72	Rio de Jo	R	16	60
Amsterdam	F	23	73	Faro	F	19	66	Manila	F	34	93	Rome	C	29	84
Athens	C	34	93	Florence	F	26	79	Melbourne	S	14	57	Salzburg	S	22	72
Bahrain	F	39	102	Frankfurt	S	25	77	Mexico City	F	26	79	San Francisco	C	26	80
Bangkok	F	33	91	Funchal	F	21	70	Miami	C	27	81	Seoul	C	29	84
Barcelona	F	23	73	Geneva	C	21	70	Milan	S	24	75	Singapore	C	32	90
Beirut	F	30	86	Gibraltar	C	22	72	Montreal	F	30	86	Stockholm	C	17	62
Belfast	S	16	61	Glasgow	S	20	68	Moscow	F	19	66	Strasbourg	S	25	77
Belgrade	F	25	77	Guernsey	S	16	61	Munich	S	21	70	Sydney	F	18	64
Berlin	C	20	68	Helsinki	F	18	64	Nairobi	F	23	73	Taipei	F	34	93
Biarritz	F	20	68	H Kong	F	31	88	Naples	S	29	84	Tangier	C	22	72
Bombay	T	27	81	Innsbruck	S	23	73	Nassau	R	27	80	Tel Aviv	S	29	84
Bordeaux	F	20	68	Inverness	C	13	55	New Delhi	F	45	112	Tenerife	F	24	75
Brussels	F	24	75	Islamabad	F	41	106	New York	F	34	93	Tokyo	F	27	81
Budapest	C	23	73	Istanbul	R	24	75	Nice	C	21	70	Toronto	F	32	90
B. Aires	F	16	60	Jakarta	R	33	91	Nicosia	F	36	970	Tunis	F	30	86
Cairo	F	37	99	Jersey	S	20	68	Oporto	F	19	66	Valencia	F	25	77
Cape Town	C	13	55	Jo'burg	F	16	61	Oslo	F	26	79	Venice	F	24	75
Caracas	R	27	81	Lima	F	18	64	Paris	C	25	77	Vienna	S	23	73
Casablanca	C	20	68	Lisbon	C	20	68	Peking	F	38	100	Warsaw	C	19	66
Chicago	C	34	94	London	F	24	75	Prague	S	23	73	Washington	S	23	73
Cologne	S	24	75	Los Angeles	C	24	76	Reykjavik	F	9	48	Zurich	S	22	72
Copenhagen	F	22	72	Luxembourg	S	23	73								
Corfu	S	27	81	Madrid	C	21	70								
Dallas	C	23	73	Majorca	S	25	77								
Dublin	F	21	70	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Moscow wins respite in Armenia

Continued from Page 1

rationing and left the local Communist Party out of control.

Hitherto the Soviet authorities in Moscow have refused to contemplate the Armenians' demand – which in February brought an estimated 1m people on to the streets of Yerevan – for the enclave to be transferred. They have agreed only to a major economic investment programme in Nagorno-Karabakh and to promotion of Armenian language and culture.

Mr Gorbachev cannot afford to alienate the Soviet Moslem population by making too great concessions to Armenian nationalism. That could cost him vital political support in his national programme of reform, as well as dangerously inflame the ethnic passions which caused a race riot in the city of Sumgait, near Baku, last February.

On the other hand, passions in Armenia are clearly running so strongly that Mr Arutunyan felt unable to resist them on Monday. By promising a debate – and a positive vote in the Armenian parliament – this week, he has bought time. But the vote will not in itself prove anything. The Supreme Soviet has no real authority – unlike the ruling party.

Few observers doubt that Mr Gorbachev will be forced to make more concessions to the Armenian demands, which have been simmering ever since 1923, but he has to find some way to do so without providing encouragement to nationalist minority aspirations right through the country.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday June 15 1988

New York banks meet to bridge merger differences

BY JAMES BUCHAN IN NEW YORK

EXECUTIVES of Bank of New York and Irving Bank will meet today in another attempt to bridge their differences but there are doubts on Wall Street that the meeting will lead to an agreement to merge.

Irving, which has rejected its crosstown rival's approaches for the past eight and a half months, continues to favour a deal to sell a majority of its stock to Banca Commerciale Italiana, the second-largest Italian bank. Its last meeting with Bank of New York ended testily after just a few minutes on May 18.

Analysts expect today's meeting to be equally unfruitful unless Bank of New York raises its offer, which is $15 in cash per share and 1.575 Bank of New York shares, or about $67%, valuing Irving at $1.23bn.

Banca Commerciale's offer – $80 a share for 51 per cent and various other provisions – is thought to be worth about the same.

But these analysts think a raise is unlikely while Bank of New York still has a chance of winning Irving through the courts.

"I hope everybody brings football helmets," said Mr Jim McDermott, an analyst at the stockbrokers Keefe Bruyette. "Unless there is more meat to Bank of New York's offer, the meeting's going to be a short affair," he said.

The meeting, which was announced on Monday, was apparently requested by Bank of New York after a New York judge told the two companies to patch up their differences.

Judge Herman Cahn of the New York State Supreme Court is due to rule, possibly this week, on Bank of New York's suit to overturn Irving's "poison pill" company by-law that makes a hostile takeover prohibitively expensive for Bank of New York.

"If they win the poison-pill ruling, they can just go out and buy the company without raising their current offer," said Mr Mark Lynch, an analyst at Bear Stearns.

3M chairman says company in good shape for 1992 changes

BY ANDREW BAXTER IN LONDON

MINNESOTA MINING and Manufacturing (3M), the US-based multinational industrial and consumer products group which makes Scotch tape, is in "good shape" for the unified European market in 1992, Mr Allen Jacobson, chairman and chief executive, said in London yesterday.

The company, whose 50,000 products range from household products such as masking tape to sophisticated medical and analytical equipment, started setting up factories overseas in 1952, and began a programme of rationalisation in the late 1960s and early 1970s.

Consequently, said Mr Jacobson: "We feel we're a long way down that road towards the rationalisation which everybody thinks will be a characteristic of the unified market."

At 3M, for example, this has involved manufacturing products from *one or two plants for all* Europe.

Further rationalisation may still be needed, however. The company has set up pan-European teams to consider changes in distribution practices from a national to trans-national basis, and to study how savings could be made on standardising marketing literature for industrial products.

Mr Allen Jacobson: Long way down rationalisation road

In September 1989, 3M plans to bring its board members to Europe to study the company's progress in preparing for 1992. "I think the change is going to be evolutionary," Mr Jacobson said. "I don't think that January 1, 1992 is going to see a new world."

Europe is important for 3M, providing about 75 per cent of international sales, which in turn represent 40 per cent of the $9.4bn annual group total.

Currency factors have therefore been a favourable influence on the company in recent years, contributing about 8 cents a share to net income of $277m.

Mr Jacobson said he thought the dollar should be somewhat lower against most currencies, and was still "somewhat dear in historic terms," except in relation to the yen and the Swiss franc.

In the current second quarter, 3M expects "very good growth in sales and earnings, which jumped 18 and 30 per cent respectively in the first quarter."

Fluor posts turnround in second quarter

By Our Financial Staff

FLUOR, the US construction group, has reported a sharp turnround in its financial performance, with second-quarter net earnings of $10.3m or 13 cents a share, compared with a loss from continuing operations of $42.9m.

In the year-ago second quarter, a loss of $9.7m from discontinued operations produced a final loss of $52.6m. Revenue in the 1988 period rose to $1.15bn from $896.6m.

Allegheney plan

Mr David Murdock, the Los Angeles investor said yesterday he may submit to Allegheny International a plan to reorganise the consumer products group, which is operating under Chapter 11 of the US Bankruptcy Code.

In a filing with the Securities & Exchange Commission, Mr Murdock said he ordered his representatives to begin work on a plan which may be presented to Allegheny for consideration, subject to Murdock's review of Allegheny's own *reorganization plan and* other factors.

Crocodile bonanza

Gulf + Western, the US entertainment and publishing concern, said yesterday its film Crocodile Dundee II, starring Australian Paul Hogan, has grossed $61.3m in the US and Canada in its first 19 days of release.

Harnischfeger sale

Harnischfeger Industries, the Milwaukee-based heavy equipment manufacturer, has filed with the Securities & Exchange Commission to sell 5.5m shares of common stock. *The shares are worth around* $130m at the current market price.

Philips buys out Du Pont stake in tape joint venture

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, is buying out Du Pont's 50 per cent interest in PD Magnetics, the two companies' financially-troubled joint venture in magnetic tape for audio and video electronic products.

Audio and video cassette production will be shifted to Philips' cassette factory in Vienna and more than half of 470 PD Magnetics' employees will be laid off, Philips said yesterday.

Efforts will be concentrated on production and sales of chromium dioxide-based recording tape in an effort to turn around PD Magnetics, which has lost at least Fl 90m ($46.6m) in recent years.

Philips refused to say what it was paying for the US chemical group's stake in the venture, which had sales of Fl 200m last year.

The buyout represents another setback in Philips' policy of exploiting peripheral activities through joint ventures in order to focus on core activities. Last year it failed to spin off large domestic appliances in a joint venture with Whirlpool, medical equipment with General Electric of the UK and part of Polygram on the New York Stock Exchange.

Philips also trimmed its role in APT, a telecommunications venture with American Telephone & Telegraph.

PD Magnetics plunged into financial difficulties in 1985 on collapsing prices for magnetic tape and cassettes. Last year Philips and Du Pont tried unsuccessfully to bring in Agfa-Gevaert, the film subsidiary of West Germany's Bayer.

PD Magnetics will continue to operate under the PDM brand name and Du Pont will supply raw materials and technical support. The joint venture was established in 1981.

Du Pont Optical, another joint venture in laser-optics media, is unaffected by the buyout. PDO also is in the red, incurring losses since its start-up in early 1986.

VDO doubles profit to DM25m

BY ANDREW FISHER IN FRANKFURT

VDO Adolf Schindling, the West German maker of instrumentation and control systems for vehicles, aircraft and industry, nearly doubled group profits last year and saw a further 6 per cent rise in turnover in the first five months of 1988, Mr Ulrich Woehr, the chairman, said.

Net income rose from DM13m to DM25m ($14.5m) in 1987. VDO, based near Frankfurt, is paying unchanged dividends of DM6 on its ordinary shares, which are owned by the controlling Schindling-Rheinberger family, and DM6.50 on the quoted preference stock. The company came to the stock market just over two years ago.

With 80 per cent of its business in the motor industry, VDO profited last year from the continued rise in car sales in Germany and *the rest of Europe.*

Total turnover was 10 per cent higher at DM1.94bn, of which 37 per cent was achieved abroad. As well as its plants in Germany, VDO also manufactures in North America, Brazil and Australia; the foreign share of group turnover rose by 27 per cent to DM717m.

Mr Woehr said that the increased use of electronic components in cars presented a considerable growth potential for VDO. He reckoned that the share of electronic parts in the total *value of a vehicle would at least* double over the next decade.

He stressed that VDO was currently investing nearly 9 per cent of group turnover in research and development, which employed about a tenth of its 1,470-strong workforce.

Nordisk Gentofte earnings rise in year

BY HILARY BARNES IN COPENHAGEN

NORDISK GENTOFTE, the insulin, blood products and growth hormone manufacturer, proposed an unchanged 10 per cent dividend after increasing net profits from DKr83m to DKr106m ($16.6m) on turnover up from DKr921m to DKr1.03bn in the *year ended March.*

Pre-tax profits were up from DKr123m to DKr143m. Net financial costs declined from DKr45m to DKr16m despite a continued increase in investments, which rose from DKr129m to DKr149m.

Sales of insulin products, accouting for 77 per cent of sales, increased by 10 per cent in volume, or twice the increase in the world market.

A satisfactory increase in sales and earnings is also expected in 1988-89, said the company.

● Dansk Olie & Naturgas, the state-owned oil and gas distribution group, turned a 1986 loss of DKr458m to a profit of DKr52m last year, although sales were down slightly from DKr4.37bn to *DKr4.22bn. The group's main* activity is the distribition and sale of Danish North Sea gas.

Deutsche Esso falls to DM62m as prices drop

By Our Financial Staff

DEUTSCHE ESSO, part of the Exxon US oil group, said 1987 net profits dropped to DM62.5m ($36.3m) from DM268.9m in 1986 due to price falls for natural gas and oil.

Mr Thomas Kohlmorgen, managing board chairman, in disclosing the sharp profits reverse, said that the company wanted to return to profitability in the oil refining and marketing sectors within two years.

He added that Deutsche Esso had to withdraw DM82m from reserves for anticipated price rises to pay the DM145m dividend to Exxon, compared with a DM38m withdrawal in 1986.

Mr Kohlmorgen said Esso would invest up to DM300m in its two refineries to end the refining sector's high losses in two years. Five independent profit centres would be created to cut costs in the marketing sector. Esso AG would also reduce its workforce by 300 people to 2,000 by end-1989 through an early retirement scheme.

Mr Uwe Joenck, managing board member, said the refining and marketing losses totalled DM14 a tonne during the first six months of this year and net profits would be around DM50m in the half. He could not give a comparative figure for the first six months of last year.

The oil sector registered a loss of DM194m or DM14 a tonne, calculated on replacement costs, after profits of DM335m or DM23 a tonne in 1986.

Price declines for natural gas more than halved this operation's profits to DM100m, Mr Joenck said.

While oil sales rose to 14.9m tonnes from 14.7m and natural gas sales went up to 6.8bn cubic metres from 6.1bn, the *slump in oil prices cut turnover* to DM8.5bn from DM10.2bn.

After a shaky start France's first pay TV channel is proving a success, writes **Paul Betts**

Canal Plus plugs in to a winning formula

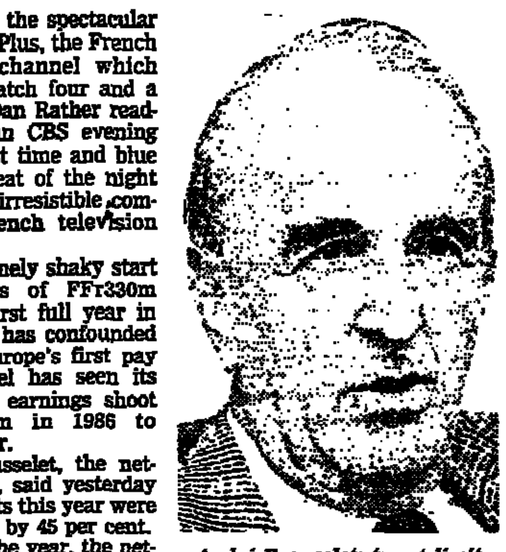
JUDGING FROM the spectacular success of Canal Plus, the French pay television channel which started from scratch four and a half years ago, Dan Rather reading the American CBS evening news at breakfast time and blue movies in the heat of the night appear to be an irresistible combination for French television viewers.

After an extremely shaky start and a net loss of FFr330m ($56.7m) in its first full year in 1985, Canal Plus has confounded all its critics. Europe's first pay television channel has seen its consolidated net earnings shoot up from FFr4m in 1986 to FFr407m last year.

Mr André Rousselet, the network's chairman, said yesterday that pre-tax profits this year were expected to grow by 45 per cent.

At the end of the year, the network is expected to have a total of 2.6m subscribers, compared with 2.2m at the end of last year, 1.5m at the end of 1986 and only 670,000 in 1985. The sharp rise in new subscribers, who pay a monthly fee of FFr150 each to receive the network, has pushed revenues up by nearly 78 per cent, to FFr3.35bn last year.

The flotation of Canal Plus last November on the Paris *second marche*, or unlisted securities market, has also been a big success. In spite of the October stock market crash, the Canal Plus share price has doubled from the original offer level of FFr275 to a peak this month of FFr550.



André Rousselet: to set limit on subscribers

At nearly FFr10bn, the company's current market capitalisation is among the 25 biggest in France.

Canal Plus has also continued to grow in the highly agitated and competitive world of French television since the privatisation last year of TF-1, the country's leading national network, and the arrival of new privately owned commercial channels.

Indeed, Canal Plus has undoubtedly fared best in the newly deregulated French television market thanks to its very small reliance on advertising.

Advertising revenues totalled only about FFr240m last year, compared with the network's overall consolidated turnover of FFr3.35bn, and Mr Rousselet said he did not expect them to amount to more than FFr250m this year. The pay television network uses advertising to finance its non-coded broadcasting time, which accounts for about 20 per cent of total airtime.

All French television viewers can watch the non-coded programmes which are designed to lure new subscribers to the pay network: Mr Rousselet said about 70 per cent of new subscribers had first watched the non-coded programmes.

The coded programmes, which require a decoder box connected to the TV set provided for a refundable deposit of FFr480, are financed by the subscription fees.

This extremely limited reliance on advertising has given Canal Plus considerable independence from the ratings war engaged in by the five other French television channels. In turn, it has enabled Canal Plus to concentrate on its own original and alternative programming concept which relies heavily on feature films, accounting for 45 per cent of broadcasting time.

Moreover, the network is also the only channel in France allowed to broadcast films which are as little as one year old.

The success of Canal Plus's programming formula is reflected by the unusually high annual subscriber renewal rate of 94 per cent, compared with 65 to 70 per cent for the American HBO and Show Time pay television networks.

Apart from feature films, about 5 per cent of broadcasting time is devoted to sports, including American football and Spanish bullfighting and the more conventional French soccer and rugby matches. Serials account for nearly 30 per cent of broadcasting time, while news takes only 2.2 per cent and commercials a tiny 0.8 per cent.

To protect its special advantages, Canal Plus has no intention to try to increase its share of advertising revenues.

Mr Rousselet also believes there is a risk that viewers will ultimately become saturated by television advertising in France. Some of the commercial networks are already suffering from this.

Mr Rousselet has decided to set a limit of 3m subscribers for Canal Plus. He expects to reach this ceiling at the end of next year or early the following year.

He argues that beyond this limit, the film and sports industries would start becoming worried by the impact of his network on audiences in cinemas and sports stadiums. This would make it more difficult for Canal Plus to negotiate future rights to broadcast special sports events and maintain a constant flow of new feature films.

"We need to keep the best possible relations with the cinema and the sports world," he explained, adding that at current subscription levels Canal Plus had no significant impact on stadium and cinema audiences.

Canal Plus – whose major shareholders include big groups like Havas, Compagnie Générale des Eaux, L'Oréal, Perrier and Granada – is thus increasingly banking on its international development for future growth.

To this end, it is planning to take a 33.3 per cent stake in the Belgian Canal Plus pay TV network and has recently doubled its stake in the Spanish Canal 10 pay television channel to 20 per cent.

Canal Plus is also investing in a new family pay TV channel called Canal Plus Famille and is planning satellite transmission with its eyes both on West Germany and French-speaking African markets.

NZI earnings hit sharply by market crash

BY DAI HAYWARD IN WELLINGTON

NZI, THE New Zealand insurance and financial services company, suffered a deep erosion of profits in its latest year as a result of the October crash – from which realised and unrealised losses on share investments amounted to NZ$142m (US$100.2m).

Its banking arm also lost heavily, particularly through borrowers defaulting on loans. NZI Banking had a reputation for advancing funds to entrepreneurial companies. After the crash, some of these borrowers were unable to repay.

NZI Banking wrote off NZ$97m before tax, compared with only NZ$9m the previous year.

The result was a slide in overall profits after tax to NZ$59.4m for the year to March. The previous year, consolidated net earnings had peaked at NZ$145.3m.

Mr Norman Johnston, chairman, said yesterday that without the stock market losses, further progress to NZ$178m could have been made.

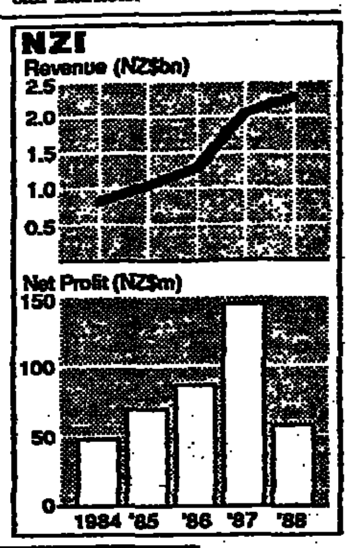
He said the company had adopted a policy of "conservative realism" which would allow it to perform better this year. It is understood that NZI will substantially reduce or completely withdraw from equity investments.

Brierley Investments, Sir Ron Brierley's New Zealand master company, is currently seeking to sell its 35 per cent stake in NZI. Although it says it is considering several offers, Brierley has not yet found a buyer. The AMP Society, the leading Australian institution, is no longer interested in bidding.

NZI's expansion continued during the year, providing revenues which, at NZ$2.25bn, were up 12 per cent. In March it agreed to buy Arbuthnot Latham, the London merchant bank, for £39m (US$70.9m) from Nordbanken of Sweden. Last December it paid SFr150m (US$104.1m) for Foreign Commerce Bank (Focobank) of Switzerland.

The Auckland company is maintaining its total dividend at 10.5 cents per share. This is in spite of the even worse attributable result – after extraordinary losses, earnings were 82.9 per cent lower at NZ$27.6m.

Mr Johnston said the insurance section had increased operating earnings but was affected by the rise in the local dollar.



Linter launches A$123m bid for dry cleaning chain

BY BRUCE JACQUES IN SYDNEY

THE LINTER group, Australia's biggest textile producer which was recently acquired by Mr Abe Goldberg, the Melbourne textile magnate, has launched a A$123m (US$99.1m) bid for Spotless Holdings, a diversified dry cleaning chain.

Linter is bidding A$1.20 cash a share on-market for the company, 3 cents below its close on Australian stock markets yesterday.

But Mr David Gale, Linter finance director, said the offer was 40 cents above the Spotless market price of less than a month ago and represented a substantial premium on the company's estimated asset backing of $A1.07 a share.

He said Linter was particularly interested in Spotless's rental textile and industrial sheeting operations, which would complement its textile and clothing activities. Spotless is also Australia's largest producer of coat-hangers.

Spotless, one of the medium-sized quiet achievers among Australia's industrial groups, has seen its shares come back strongly since the October crash. Shares have risen about 50 per cent since May on speculation of an offer, but until last night the most favoured suitors were its own board.

About 5 per cent of the company's capital has changed hands in the past fortnight, with the main buying coming from McCaughan Dyson Capel Cure, the Melbourne stockbroker.

The company is about 53 per cent controlled by four families, which are also represented on its board. The largest presence is held by the McMullin and Blythe families and no takeover could succeed without their acquiescence.

Mr Brian Blythe, managing director, said last night that directors would meet next Tuesday to consider the offer.

Linter came under Mr Goldberg's wing following a A$300m bid in April. Only a year earlier Mr Goldberg had effectively sold the company at a considerably higher price to Mr Basil Sellers's AFP Investments.

ICI Australia revises profit after tax change

By Our Sydney Correspondent

ICI AUSTRALIA, the chemicals producer controlled by the UK's Imperial Chemical Industries, has become the first Australian company to revise its March half-year profits upwards, following corporate tax changes announced in the Federal Government's May economic statement.

It said yesterday that after-tax earnings had been increased by A$10.5m (US$8.5m) to A$78m because its tax rate had fallen from 49 per cent to 39 per cent. The company had previously reported a 41 per cent lift in earnings to A$67.5m, based on a 49 per cent tax rate.

ICI Australia, 62 per cent owned by the UK parent, confirmed it would pay 39 per cent tax on its September full-year earnings, with the new tax rate officially effective from July 1.

Companies with a September balance date will thus be among the first beneficiaries of the tax change.

Nobel Industries income climbs 83% to SKr258m

BY SARA WEBB IN STOCKHOLM

NOBEL INDUSTRIES, the Swedish armaments and chemicals group, reported an 83 per cent increase in profits for the first four months, helped by the strong performance of its pulp and paper chemicals, consumer goods and weapons divisions.

Profits after financial items reached SKr258m ($43.1m), compared with SKr141m in the corresponding period last year.

Sales during the first four months rose by 64 per cent to SKr6.66bn.

Bofors, the ordnance division, showed a 68 per cent increase on sales to SKr1.48bn, helped by a SKr8.4bn order from the Indian Government received in 1986 for artillery systems. Profits at the division rose from SKr96m to SKr191m.

Nobel Industries announced it had agreed to sell Bofors' 40 per cent stake in Allied Ordnance of Singapore to the Singapore Government's holding company, Sheng-Li.

Nobel Industries' pulp and paper chemicals division reported a 20 per cent rise in sales to SKr459m and a profit increase of 77 per cent to SKr76m, helped by improvements in its bleaching chemicals operations.

Although the adhesives and paints division showed a 77 per cent rise in sales to SKr2.2bn, its profits slipped to SKr99m and were held in check by costs from the integration of companies acquired last year in Denmark and France.

The specialty chemicals division started to make a small profit, and sales rose by 30 per cent to SKr582m.

Mitsubishi Corporation edges ahead

BY OUR FINANCIAL STAFF

MITSUBISHI CORPORATION, the large Japanese trading house, achieved a 13.4 per cent revival in consolidated net profits to reach Y31.17bn ($249.1m) for the year to March.

This came on revenues which at Y13,365bn were up 5.6 per cent. In sales terms Mitsubishi ranks behind Mitsui & Co, with revenues of Y15,779bn, and C. Itoh with Y15,540bn, but it remains more profitable.

Itoh, where sales grew 5.3 per cent, boosted its global net profits 26.5 per cent to Y25.38bn. Mitsui last week announced after-tax earnings of Y23.15bn, up by more than half. The companies have benefited from domestic economic expansion.

Auditors qualify accounts of NZ property group

By Our Wellington Correspondent

THE ACCOUNTS of Robert Jones Investments, a New Zealand property group which has expanded into Australia and Hong Kong, have been qualified by Coopers and Lybrand, the auditors, for failing to revalue all its properties and including directors' valuations on some overseas properties.

The accountants said independent valuations were not available for all overseas properties and they were therefore unable to quantify the effect of the departure from standard practice.

Only one Australian property was included in the valuations, although the company holds about 60 per cent of its assets in Australia. The value of the company's total assets has increased to NZ$876m (US$618.1m).

Shareholders of Robert Jones Investments will be asked to pay NZ$75m, possibly rising to NZ$92m, to buy a 25-year management contract owned by Mr Jones's private holding company.

Under this contract the quoted arm pays 8 per cent of its gross income each year to Mr Jones's holding group.

Costs warning by German Ford despite record profit

BY DAVID GOODHART IN BONN

MR DANIEL GOEUDEVERT, chairman of Ford-Werke, the West German arm of Ford Motor of the US, yesterday added his voice to the growing volume of complaints from German industry about the country's rising cost base and labour inflexibility.

But, as with several other recent complainants, the force of the argument was weakened by the simultaneous announcement of record volume and profit figures for Ford-Werke.

After two years of heavy losses, in 1984 and 1985, the company recorded net profits of DM587m ($341m) in 1986 and has now topped those with DM810m for 1987. Total sales rose 2.4 per cent, from DM16.5bn to DM17bn, with car sales up 2.6 per cent.

About 895,000 passenger cars and light commercial vehicles were produced in 1987 at the five production centres, a new volume record which Ford claims consolidates its position as the third largest producer in Germany behind Volkswagen and Opel (General Motors).

Mr Goeudevert also reported a buoyant start to 1988 with domestic sales and exports rising for all models by between 7 and 15 per cent. Ford's market share in Europe has risen by 0.6 per cent to 10.4 per cent. The response to these sales has been to increase production by 10 per cent, with extra shifts being added at Cologne and Saarlouis.

Despite the results, however, Mr Goeudevert struck a sombre note about the difficulties facing German industry. Any further reduction in working time was unacceptable and greater flexibility in the use of expensive plant and equipment was required.

"One thing is quite clear we cannot think of ourselves in isolation, particularly if we remember that in 1992 the EC becomes the world's largest domestic market," Mr Goeudevert said. Between 1987 and 1991 the company plans to invest DM5.3bn.

SMH sees further improvement

BY WILLIAM DULLFORCE IN BERNE

EARNINGS of SMH, Switzerland's biggest watchmaking group, during the first four months of 1988 rose substantially, Mr Nicolas Hayek, the chief executive, said yesterday. He was confident that his restructured concern would report another profit increase in 1988.

The improvement in earnings last year and so far this year had been realised under pressure of severe price-cutting by SMH's main Japanese competitors, Mr Hayek noted. This had been particularly apparent in Japanese exports of watch movements to producers in Hong Kong.

Mr Ernst Thomke, managing director of SMH's watch division, said the Japanese price for a quartz, analogue-style movement delivered to Hong Kong had been reduced sharply, from Y1,050 ($8.40) in May 1985 to Y650 in December 1987.

However, Mr Hayek said SMH had lost no market shares last year and was already implementing a policy of "selective counter-attacks." His confidence in a good 1988 result was based on SMH's continuing sales growth and the cost-cutting measures already taken.

As reported earlier, net earnings climbed 10 per cent to SFr77m ($53.5m) for 1987, cash-flow was up 8.7 per cent to SFr150m and the board proposes to increase the dividend from 5 per cent to 6 per cent.

SMH, the result of a merger in 1983 at the height of the crisis in Swiss watchmaking, has been completely reorganised and launched into technical innovation by Mr Hayek.

Among its leading brand names, Omega and Tissot have been returned to profit and Rado is being similarly restructured.

But the most prominent sign of SMH's recovery has been the Swatch, the cheap, accurate plastic watch produced in a multiplicity of styles, of which 40m had been sold by December last year.

Neue Heimat to change status

By Our Financial Staff

NEUE HEIMAT, the heavily debt laden West German housing co-operative, plans to become an Aktiengesellschaft, or public limited company, switching from its present GmbH status.

A company official said the legal change was purely to give the company more flexibility for necessary restructuring. The move did not mean the group was seeking other shareholders.

It is expected that Neue Heimat will be disbanded next year.

Neue Heimart is owned by West German unions.

Schindler computer deal

BY JOHN WICKS IN ZURICH

SCHINDLER, the Swiss lift maker, is to acquire a majority shareholding in Also Holding, a supplier of personal computer systems which last year had sales of SFr185m ($128.5m).

Also, which gets some 57 per cent of sales from West Germany, has grown rapidly by acquisition since its formation in 1984. It had a loss of SFr7m last year, against 1986 profits of SFr8.1m.

However, sales trebled in 1987 and Also said yesterday all main operations were in profit during the first quarter of 1988. First-quarter sales totalled SFr60m.

The Also acquisition marks a further step by Schindler to diversify. Last year it bought a controlling stake in a Swiss producer of railway equipment.

Mr Alfred Schindler, the chairman, said yesterday the Also transaction would not be the last of its acquisitions.

Also is to issue 18,000 new participation certificates to be subscribed by Schindler at SFr1,300 each to raise more than SFr23m. Schindler will further acquire a packet of Also registered shares.

Schindler last year achieved group sales of SFr1.8bn.

DnC in the red at net level

By Our Financial Staff

DEN NORSKE Creditbank, the big Norwegian bank, expects to lose some NKr1.1bn ($174m) on loans this year but still hopes to show a net profit by the year-end.

For the first four months the bank's operating profits fell from NKr431m to NKr278m, while at the net level there is a loss of NKr99m, against a net profit a year ago of NKr140m.

DnC said that losses on loans and guarantees were expected to emerge at NKr1.1bn for 1988 as a whole, compared with NKr1.194bn in 1987.

"We are not satisfied with these figures, but we have achieved an acceptable operating profit before losses, and believe DnC will achieve a net profit by year-end," Mr Harald Arnkvaern, deputy managing director, said.

The bank was hit hard by the October stock market crash and losses on loans, which this spring triggered a major restructuring of the bank's management and investment strategy.

DnC's total assets have shrunk to NKr119bn from NKr127bn on January 1 this year. Weak interest margins have hurt the bank's domestic operations, but foreign subsidiaries have shown a profit so far this year.

The bank, formerly Norway's largest, has now slid into second place, behind Christiania Bank. The assets decline is due mainly to reduced deposits in other banks. However, the reduction in total assets has led to an increase in equity capital to 6.4 per cent of assets, up from 6 per cent.

The Norwegian central bank stipulates that Norwegian banks must have an equity capital of at least 6.5 per cent of total assets. Plans for a share issue may be unveiled during the autumn.

DnC said its foreign operations were improving. They contributed a net profit of NKr57m for the four months, of which 50 per cent were at DnC London.

CIR to gain $1bn from Buitoni and Perugina merger

BY ALAN FRIEDMAN IN MILAN

CIR, the holding company controlled by Mr Carlo De Benedetti, is to receive L1,340bn ($1.05bn) of cash as a result of its planned incorporation by merger of the still-quoted shells of Buitoni and Perugina, the pasta and chocolate concerns whose assets have been sold to Nestlé of Switzerland.

The board of CIR, Perugina and Buitoni, yesterday approved the merger plan. CIR owns 65 per cent of Buitoni, which in turn owns 82 per cent of Perugina.

The Buitoni proceeds will reduce CIR's borrowings from L1.98bn to L640bn. CIR's current total debt includes around L700bn of exposure to those allies of Mr De Benedetti who wish him to buy out their shares in Société Générale de Belgique.

Buitoni shareholders are being offered seven ordinary CIR shares for every four of Buitoni while 27 ordinary CIR shares are being offered for every 50 in Perugina. The deal will see the issue of 89.4m new CIR shares. The net equity of CIR will increase from L1,578bn to L2,126bn.

Buitoni and Perugina shareholders are being offered the chance to receive cash instead of paper, although the legal reason for the cash option is technically separate from the merger. Buitoni ordinary shareholders can receive L7,064 per share and Perugina ordinary shareholders L4,091 per share until June 28.

Compared to yesterday's Buitoni share price on the Milan bourse the cash option is 18 per cent lower. The cash on offer is 43.7 per cent below the value per share placed on Buitoni in the merger proposal.

Swedish banks lift income

BY SARA WEBB IN STOCKHOLM

SKANDINAVISKA Enskilda Banken and Svenska Handelsbanken, Sweden's leading and second largest banks, respectively, reported higher profits for the first four months of 1988, helped by increased volumes and higher interest income.

Handelsbanken's group profits increased by 25 per cent to SKr1.21bn ($200m), from SKr966m a year ago, helped by a strong increase in lending and better interest margins for its Swedish kronor operations. Interest margins on foreign exchange activities were lower this year.

Total income rose by 17.5 per cent to SKr2.56bn, helped by a 15 per cent rise in interest income and increased profits on bonds.

Handelsbanken said it would set up a subsidiary in Frankfurt in order to increase its activities within the European Community.

S-E Banken reported a 15.4 per cent increase in profits to SKr1.42bn and forecast an improvement in full-year profits on last year's SKr4.05bn.

Total income rose by 11.4 per cent to SKr3.11bn, with interest income increasing by 18.6 per cent to SKr1.93bn.

S-E Banken's lending in Swedish kronor increased on average by 26.8 per cent, compared with the same period last year. Total costs increased by 6.8 per cent, partly due to costs entailed in opening new offices abroad, the bank said.

Perstorp 36% ahead at eight months

PERSTORP, THE Swedish specialty chemicals and plastics group, increased profits (after financial items) by 36 per cent to SKr404m ($67m) in its first eight months to April 30, 1988, writes Sara Webb in Stockholm.

The group expects full-year profits to rise to between SKr550m and Skr600m, representing an increase of 28-40 per cent on 1986-87's SKr430m.

Perstorp said the profit increase so far this year was helped by several acquisitions, lower financial expenses, and large investments in new products and plants over recent years.

Group sales rose by 16 per cent to SKr3.37bn, against SKr2.89bn in the same 1986-87 period. Most of the rise came from acquisitions (6 per cent) and higher volumes (7 per cent), with 3 per cent coming from changes in prices and product mix.

Sales of specialty chemicals rose 16 per cent to SKr526m, and of surface materials by 25 per cent to SKr884m.

Perstorp said it had invested SKr305m in fixed assets such as new plants so far this year, and that investments for the full year, including company acquisitions, would exceed SKr500m, George Graham on consequences of the French SE's FFr500m loss

Bourse tensions bubble to surface

THE RESIGNATIONS yesterday of the chairman of the French Stock Exchange, Mr Xavier Dupont, and its chief executive, Mr Philippe Cosserat, have completed the turmoil raging in the Paris financial world since Friday, when the exchange admitted it had lost FFr500m ($86.2m) in unsupervised dealings on its reserve funds.

Mr Dupont, as syndic of the old Chambre Syndicale des Agents de Change and chairman of the new Société des Bourses Françaises (SBF) which replaced it this year, has presided over a far-reaching stock market reform.

He has both kept up the pace of the bourse's much-needed modernisation and dug his heels in from time to time to defend the interests of the stockbroking community and prevent things from changing too fast.

But his departure, and the call for FFr1bn of new capital to top up the exchange's funds as a result of the losses, unleashes the barely concealed tension between the banks, which were this year allowed for the first time to buy into stockbroking firms, and the old-school brokers.

Banks are still allowed to own only up to 30 per cent of a broker, rising to 50 per cent next year and 100 per cent in 1990. But it will be mostly on them that the burden of replenishing the exchange's capital and guarantee funds, which had dropped to FFr1.08bn, falls.

The replenishment is divided into two halves: a FFr500m capital increase guaranteed by the leading French banks and institutions which have bought into brokers, and FFr500m from a levy on broking firms.

Several bankers in Paris yesterday suggested that the capital increase, underwritten essentially by the leading French banks, would have to be paid for by an increase in their influence over the stock market's future development.

Until now, the old broking firms have maintained a clear majority of the SBF's board, and Mr Dupont will be replaced as chairman by Mr Regis Rousselle, head of the broking firm Meeschaert Rousselle. But the banks, which in financial clout far outweigh the generally small and undercapitalised French brokerages, are now expected to take a more prominent role.

This could mean a shift in the exchange's stance on questions such as the ending of the fixed commission tariff or the treatment of small share transaction orders, which have grown to be a heavy burden in France since the privatisation programme tripled the direct share-owning population to 6m.

Banks have argued that they should be allowed to offset buy and sell orders from their retail networks, but the stock exchange rejected this idea as an infringement of its monopoly.

A recent compromise solution, which is being boycotted by such banks as Crédit Mutuel, provided for small orders to be treated at the following day's opening price.


Xavier Dupont: presided over far-reaching reform


Regis Rousselle: appointed to replace Dupont

The details of the levy on broking firms have yet to be decided, and are causing a fierce debate in Paris.

Suggestions of a flat levy of about FFr20m per firm are being bitterly resisted by the smaller firms, especially those which have not yet sold out to a bank and which would be hard put to find the money – especially as commission income in the first four months of this year has been about 40 per cent lower than in the same period of 1987, even if trading volume is now picking up.

But the more traditional levy proportional to trading volume could also run into opposition, especially from some of the foreign institutions which have bought stakes in French brokers, such as Barclays, Warburg or James Capel.

They are expected to argue that the reserve fund's disaster has nothing to do with them and should be settled by the brokers – if necessary out of the money they have received from selling their firms.

At a time when many firms are investing in computer equipment and new offices, the levy could weigh heavily on income, and bonuses are expected to suffer.

Trade unions representing the employees of broking firms met yesterday to discuss the situation, which could imperil the already delicate negotiations being undertaken on the collective stock exchange staff agreement.

The fallout from the affair may not spare the French Treasury, which has closely controlled the transformation of the stock exchange, from the introduction of screen-based continuous trading systems to the creation of markets in financial futures and stock options and the opening up of brokers' capital to outside investors.

Some bankers are already demanding an explanation of why the Treasury, which is understood to have been informed about the stock exchange's FFr500m trading losses last year, helped to cover up the disaster for six months.

The revelation of the shortfall, the latest in a sequence of substantial losses mainly incurred in the Matif financial futures market or on options on Matif contracts, has dealt a blow to Paris's declared ambition to become the leading financial centre of continental Europe.

"It certainly won't encourage foreign securities houses which were thinking of setting up here," commented one foreign banker based in Paris.

But it does not seem to have put off those who have already set up shop.

"We are very pleased with our acquisition, and have seen our market share shoot up," said Mr James Fergusson, of James Capel, the UK broker which has taken a stake in Dufour-Koller-Lacarriere with the intention of moving to full control when the law permits.

Consortium to place shares after Enichem merger

BY ALAN FRIEDMAN IN MILAN

A CONSORTIUM of Italian and foreign banks will be assembled to place between 15 and 20 per cent of the shares of the joint venture chemicals company expected to result from the merger of the state-owned Enichem and the bulk of Montedison, the private chemicals concern.

Mr Luigi Arcuti, chairman of IMI, the medium-term credit institute, has announced that his bank, along with two others – Mediobanca and Crediop – plans to lead the consortium.

ENI and Ferruzzi, the two holding companies which control Enichem and Montedison, are likely to have 40 per cent each of the new chemicals venture, which is being billed as the most important post-war rationalisation of the Italian chemicals industry.

A letter of intent outlining the Enichem-Montedison merger plan was signed last month and a series of working groups are at present preparing a business plan. The deal is expected to be completed by the end of July.

The new venture, which will have about $10bn a year of sales, will contain the whole of Enichem, which last year had L6,200bn ($4.85bn) of revenues, and a series of base chemicals, artificial fibres, fertilisers and elastomers assets from Montedison.


Peter Engstroem: disagreed over direction

Engstroem to head Gadd advice service

By Stephen Fidler, Euromarkets Correspondent

THE FORMER head of the international borrowing of the Swedish national debt office, Mr Peter Engstroem, has joined J.S. Gadd, the finance house established early last year by Mr Staffan Gadd, former chairman of Samuel Montagu.

Mr Engstroem, 43, left UBS Securities late last year, where he was managing director responsible for the primary market division of Union Bank of Switzerland (Securities).

He cited disagreements about the direction being taken by the firm and the difficulties in working in a large organisation.

At Gadd, which he will join in the next few weeks, he will be managing director of a new capital markets advisory service, to be part of the firm's corporate finance department.

The aim is to provide independent advice on the international markets to companies thinking about borrowing, and to financial intermediaries making decisions about their role in the international markets.

Mr Engstroem said he had known Mr Gadd, who established Scandinavian Bank in the late 1960s and was subsequently chairman of Midland Montagu until his resignation in December 1984, for many years.

Gadd's current activities in the international markets include private placements, international listings, mergers and acquisitions, stockbroking, insurance broking and financial public relations. The additional department was necessary for the firm to become a full service house, it said.

Building society financing to securitise loans

By Our Euromarkets Staff

THE FIRST financing to securitise mortgages for a UK building society was announced yesterday. The transaction will allow the Leamington Spa Building Society to move up to £200m in mortgage loans off its balance sheet, to a specially established company called United Mortgage Corporation, which will itself act primarily through the Eurocommercial paper market.

The ECP programme for up to $350m has been rated A1 by Standard & Poor's and P1 by Moody's, and three dealers have been appointed: Credit Suisse First Boston, Citibank and Shearson Lehman Brothers. The funds from the programme will be hedged into sterling.

Providing liquidity support for the programme will be a £180m, five-year multiple option facility which was launched into syndication yesterday. The loan is being arranged by Banque Paribas and has also been underwritten by Paribas, Banque Nationale de Paris, Fuji Bank and Mitsubishi Trust. A further £20m is being provided by Paribas through a £20m bridging facility.

Chemical Bank Home Loans will provide mortgage administration services and Baring Brothers has structured the transaction.

● Brysons International Bank, an affiliate of Hees International Bancorp, a US merchant bank, has arranged a $100m Eurocommercial paper programme through Merrill Lynch International. Citicorp and S.G. Warburg have also been appointed as dealers.

Austrian Airlines issue opens low

THE NEW shares issued by *state-owned* Austrian Airlines on the Vienna Stock Exchange opened at a lower-than-expected price, according to Austrian brokers, Our Financial Staff writes.

The offering of 435,000 ordinary shares at Sch2,100 per nominal Sch1,000 share ended their first day at Sch2,160.

Optimists given go-ahead by low US trade figures

BY DOMINIQUE JACKSON

YESTERDAY'S NEWS of an unexpectedly low seasonally adjusted US April trade deficit of $9.89bn gave a long-awaited go-ahead to cautious optimists in the Eurobond market, and prices in most sectors closed markedly firmer after a brisk day's trade.

The April figure, down from a revised $11.7bn in March, came in well below median market forecasts of $12.5bn, sending the US dollar up to its highest levels in Europe since last October. The better-than-expected figures also took many Eurobond market participants by surprise, prompting an initial scramble to rectify short positions in Eurodollar and US Treasury bonds.

The key 30-year Treasury bond rose by well over a point in London trading, sending its yield below 9 per cent to close at 8.83 per cent in London. Longer-dated Eurodollar bond prices also rose by about a full point with rises of between ¾ point and a full point posted by shorter maturities.

Dealers said the data provided the unambiguous good news which the market had been waiting for to confirm the vastly improved tone which had been detected over the last few weeks. Several issuers are now expected to come to the Eurodollar sector to take advantage of an improved investor appetite for dollar-denominated securities.

Syndicate teams remained on the sidelines until after the US trade data were announced yesterday and only one dollar straight bond finally emerged, although several more are anticipated.

Yesterday's offering was at the opposite end of the yield curve to Monday's two 10-year deals for Belgium and SNCF. General Motors Acceptance Corp issued a two-year $250m bond at 100.925 per cent with an 8¼ per cent coupon. The lead manager, Salomon Brothers International, said the deal was priced to yield 39 basis points (hundredths of a percentage point) over comparable US Treasury issues at the launch.

Dealers said the pricing was a little on the tight side but was in line with the borrower's usual issuing policy. The issue was not deemed as attractive as either of Monday's two deals for issuers who usually find more favour with investors. Both issues were still trading comfortably within fees yesterday.

INTERNATIONAL BONDS

However, the short maturity on the GMAC deal was expected to appeal to investors who are keen to keep to the defensive end of the yield curve.

More US corporate borrowers seem set to take advantage of the improved market tone to issue Eurodollar bonds in the next few days. Another major French borrower is rumoured to be in the market for a dollar issue but the deal failed to emerge yesterday. There was no further news on a reported substantial dollar straight issue for New Zealand.

In equity-linked deals, Nomura International brought Fuji Photo to the market with a four-year $400m equity warrant deal on which the coupon is indicated at 3⅛ per cent. Dealers said the deal saw healthy demand and was well bid at 103 per cent against its indicated par issue price.

Morgan Stanley brought the first Canadian dollar issue of the week for Helaba Luxembourg, a subsidiary of Hessische Landesbank Girozentrale which are joint lead managers on the issue. The C$60m three-year 10 per cent deal at 101½ was bid at a level around its total 1⅞ per cent fees.

A friendlier tone to the Australian dollar sector prompted the first issue in that currency this week by Banque Internationale a Luxembourg. Hambros led the A$50m issue for BIL, a four-year deal with a 13 per cent coupon and 101¼ issue price. The issue was bid at a discount of 1¾ against total fees of 1⅞.

Compagnie Bancaire issued a Y6bn five-year step-up coupon bond priced at 101¼. LTCB International led the deal on which the coupon will be 2 per cent for the first two years, rising to 6⅛ per cent thereafter.

Late in the day, Swedbank issued a five-year Y10bn deal which will be redeemed at a rate linked to the Nikkei Dow stock index. IBJ International led the five-year targeted deal which was priced at 101⅞ and on which the coupon will be 2 basis points over the Japanese long-term prime rate.

In West Germany, the US trade figures boosted a firmer tone seen all day. Domestic bonds finished an average of ⅜ point better in brisk trading. Euromark prices also ended firmer.

In Switzerland, prices finished mixed with lack of buyers limiting gains. Swiss Bank Corporation led a SFr100m deal for Oesterreichische Draukraftwerke. The 10-year 4⅝ per cent deal is priced at 101¾.

Citicorp Investment Bank (Switzerland) brought a convertible deal for Japanese construction and civil engineering company, Uekigumi. The coupon on the four-year issue is indicated at ⅞ per cent.

Banca della Svizzera Italiana led a SFr200m deal for Canon Sales. The coupon on the five-year deal is indicated at ⅝ per cent.

A SFr100m five-year 4⅛ per cent issue for Danish insurer Top Danmark was trading for the first time yesterday and closed the day at 99, 1⅞ points below its issue price.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey National 7½ 92	200	94⅝	95⅛	+0½	+1¼	9.18
All Nippon Air 9⅞ 97	100	†94⅝	95⅛	+0½	−0¼	10.26
American Brands 8⅞ 92	150	98⅝	99⅛	+0½	+1¼	9.20
A/S Eksportfinans 7⅝ 93	100	†95⅝	96⅛	+0½	+0⅞	8.58
A/S Eksportfinans 7¼ 92	150	95⅛	95⅞	+0⅜	+0⅝	8.69
Barc. Bk. Fin. 10¼ 89	200	†103⅜	103⅞	+0½	+0⅞	7.54
Belgium 9⅛ 92	400	†100⅞	101⅜	+0½	+0⅞	8.78
British Telecom 7⅝ 96	250	89¾	90¼	+0¼	+1	9.40
Cal.Natl.Telecom 8½ 93	160	†100¼	100⅞	+0½	+1¼	8.31
Canada 9 96	1000	†99⅜	99⅞	+0¼	+0½	9.05
Canadian Pac 10¼ 93	100	†104	105	0	−0¼	9.58
C.C.C.E 7⅛ 91	113	†95⅞	96⅛	+0½	+0⅞	8.47
C.N.C.A 7¼ 91	250	95⅜	95¾	+0¼	+0⅞	8.77
Coca-Cola Ent. 8¼ 90	100	†99½	100	+0¼	+0¼	8.37
Credit Lyonnais 9 91	200	†100½	101	+0⅛	0	8.64
Credit National 8¼ 93	200	97⅛	97⅝	+0⅜	+0⅜	8.93
Credit National 7⅞ 92	100	95¼	95¾	+0½	+0½	8.79
Credit National 7¼ 91	150	95⅞	96⅜	+0⅜	+1	8.55
Denmark 7⅛ 92	500	†94	94½	−0⅜	+0¼	8.99
E.E.C 7 91	100	95⅛	95⅝	+0⅜	+0⅝	8.57
E.E.C. 7¼ 93	250	94	94½	+0⅜	+0⅝	8.77
E.E.C 8¼ 96	100	†94¼	94¾	+0⅝	+1⅛	9.25
E.I.B. 7⅝ 93	100	94¼	94¾	+0½	+0⅞	8.91
E.I.B. 9⅜ 97	150	†100½	100⅞	+0⅞	+1⅛	9.26
Elec. De France 9 98	200	97⅛	97¾	+1¼	+1⅜	9.39
Finland 7⅞ 97	200	†90¼	90¾	+0½	+0⅞	9.52
Finland 7½ 93	200	94	94⅜	+0¼	+0⅞	8.94
Finn.Exp.Cd. 8½ 92	200	98⅝	99⅛	+0⅛	+0½	8.84
Ford Motor Credit 8 91	250	†98⅛	98⅝	+0⅜	+0⅝	8.66
Gen Elec Credit 10¼ 00	200	101⅜	101⅞	0	+0¼	10.03
G.M.A.C. 8 89	250	99⅞	100⅜	+0¼	+0½	7.95
G.M.A.C. 8¼ 89	200	†99⅞	100⅛	−0⅛	0	8.35
Hoesch 8¼ 97	100	†93⅝	94⅛	+0½	+0⅞	9.29
Italy 9 90	1000	101¼	101⅝	−0⅛	+0½	8.22
L.T.C.B of Japan 8 91	100	98⅝	99⅛	0	+0⅛	8.40
L.T.C.B. of Japan 8 97	200	89⅞	90⅜	+0½	+0⅞	9.73
Merceds-Benz Cd. 8½ 95	100	96½	97	+0½	+0⅞	9.15
Metropolis Tokyo 9½ 93	200	101⅞	102⅜	+0½	+0¼	8.89
Morgan Guaranty Tst. 7 90	150	98	98⅜	+0⅜	+0⅝	8.16
Norway 8¼ 93	500	99½	100	+0½	+0¾	8.80
Pepsico Inc 7⅛ 93	200	†94⅛	94⅞	+0⅝	+0⅞	8.76
Portugal 8¼ 93	300	†97⅞	98¼	0	+0¼	9.07
Prudential Crp. 8⅞ 94	125	99½	100¼	+0½	+0⅞	8.80
Qantas Airways 10⅜ 95	140	104⅜	105¼	+0⅞	+1⅛	9.37
Saab Scania 9½ 91	125	†104⅝	105⅛	+0½	+0⅞	7.40
Saskatchewan 10¼ 92	100	105⅛	105⅝	+0¼	+0⅞	8.95
State Bk S Aust 9¼ 93	100	100⅞	101⅛	+0¼	+1	8.95
Swedish Expt. Crd. 7¼ 91	100	†95⅛	95⅝	+0⅛	+0⅜	8.81
Swed Exp Cred 10 92	100	†104⅝	105⅛	+0½	+0⅞	8.50
Sweden 7 91	250	95⅝	96⅛	+0⅜	+0⅝	8.45
Sweden 7 92	250	†95¼	95¾	+0½	+0⅞	8.46
Sweden 8¼ 96	200	96⅝	97⅛	+0¼	+0⅞	9.32
Sweden 8½ 92	200	†99⅜	99⅞	+0½	+0¾	8.59
Victorian Rep 11⅝ 92	150	107⅝	108⅛	+0¼	+0¼	9.11
World Bank 7 92	300	†94⅝	95⅛	+0¼	+0⅜	8.69
World Bank 9 97	300	98⅜	98⅞	+0⅝	+1¼	9.22
Yasuda Trust Fin 8½ 93	100	†96⅞	97⅛	−0⅝	−0⅛	9.27

Average price change... On day +0¼ on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	101¼	101⅞	−0⅛	−0¼	5.71
Avis Fin.SVS 5⅞ 92	100	†102	102½	0	0	5.19
Bank of Tokyo 5¼ 93	100	†103¼	103¾	0	0	4.89
Central BK. Turkey 7 92	200	†105⅛	105⅝	0	−0¼	5.55
Commerzbank o/s. 5⅞ 93	300	†100	100½	+0⅛	+0½	5.30
Degussa Int. 6⅛ 97	200	98⅝	99⅛	−0⅛	0	6.27
E.I.B 5½ 98	150	96⅝	97⅜	+0¼	+0¼	5.91
E.I.B 6 97	300	100⅛	100⅞	−0⅛	+0¼	5.92
E.I.B. 6⅛ 96	300	100⅞	101⅜	+0⅜	+0½	5.92
E.I.B. 6⅛ 97	400	100⅞	101⅜	+0⅛	+0½	6.01
E.I.B. 6⅞ 95	300	104½	105¼	−0⅛	−0⅛	6.03
Euro.Coal & Steel 5⅞ 97	175	98⅜	99⅛	0	+0⅝	6.06
Eurofima 6¼ 96	100	100⅞	101⅝	0	−0⅛	6.05
Elec De France 5¼ 97	300	96⅛	96⅞	+0⅛	+0⅛	6.27
Forsmark Krtg. 5⅛ 93	200	100⅛	100⅝	+0⅛	−0⅛	5.03
I.A.D.B. 6 97	200	98⅝	99⅜	+0¼	+0½	6.15
IBJ 5⅞ 92	100	†101¼	102¼	−0⅛	0	5.34
Japan Finance 5¼ 97	100	96	96⅛	−0⅛	−0⅛	6.30
Ireland 6½ 97	300	†100	100½	0	−0⅛	6.46
Korea Dev BK 6⅝ 93	100	103	103⅞	0	+0½	5.82
Malaysia 6¼ 94	150	100⅛	101⅛	0	−0¼	6.07
Nat. West BK. PLC 6 98	300	97⅛	97⅞	+0¼	0	6.35
Oesters. Kontbk. 5 93	300	100⅛	100⅞	0	−0⅛	4.87
Portugal 5⅞ 92	150	101⅝	102⅜	+0¼	+0¼	5.19
Portugal 6⅞ 95	150	101⅜	102⅛	−0⅜	−0⅜	6.31
Privatbanken 5¼ 93	150	99	99½	−0⅛	0	5.43
Royal Insurance 5½ 92	300	†101⅛	102⅛	0	0	4.91
Statoil 6¼ 97	200	†98⅜	98⅞	−0½	−0⅛	6.45
Soc Cent Nuclear 7¼ 95	150	104½	105½	−0¼	−0¼	6.34
Westlb. Finance 5 93	200	†99⅜	99⅞	0	0	5.12
World BK. 6¼ 97	600	101	101¾	+0¼	+0¼	5.97

Average price change... On day +0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev. Bk. 5⅝ 96	100	†102½	103	0	0	5.20
Asfinag 5 02	150	†98⅜	99⅛	−0⅛	+0¼	5.09
Bk. Frgn. Econ. Ussr 5 98	100	†100	100⅛	+0⅛	+0¼	4.95
Bayer W/W 2½ 02	250	†99⅛	100	+0¼	+1½	2.51
Bayer. Vrnsbk.Os. 4⅞ 98	100	†99½	100	+0¼	+0⅞	4.78
Elec. De. France 5 07	100	†98¼	99	0	0	5.09
E.I.B. 4⅞ 97	200	†99½	100	0	−0½	4.78
E.I.B 4⅝ 97	200	†99¼	99¾	−0¼	−0⅜	4.69
Enso Gutzeit 5 99	100	†99¼	99½	−0½	+0¼	5.07
Ireland 5 02	150	†98¼	98½	−0⅛	−0¼	5.16
Nippon Suis. Ksha. 4⅞ 93	80	†101⅜	101¾	−0⅞	−1¼	4.27
Occidentl. Petrol 5⅞ 92	100	†103	103½	0	−0⅛	4.75
Prov. of Manitoba 4⅞ 02	200	†99½	99¾	+0¼	+0⅜	4.80
Prudential Fin. 4⅞ 98	200	†100	100½	+0⅜	+1⅜	4.71
Qantas Airways 4⅞ 97	110	†97⅛	97½	0	+0¼	5.11
Trans-Can. Pipe 4⅞ 94	100	†101½	102	−0⅛	0	4.51
Usl+g. 5½ 96	120	†102½	103	+0⅝	−0¼	5.05
Victoria Pub.Ath. 5⅞ 03	118	†101½	102	+0¼	+1¼	5.20
World Bank 5 02	200	†99½	99¾	+0⅛	+0⅞	5.04

Average price change... On day +0⅛ on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Belgium 5⅞ 92	35	102⅛	102⅝	0	0	4.74
Belgium 4⅞ 94	45	97⅜	97¾	0	0	5.10
Canada 4⅛ 92	80	99	99⅛	+0⅛	0	4.62
Elec. De France 5⅛ 94	20	100¼	100¾	0	0	5.02
Ireland 5⅛ 93	30	100¼	100¾	0	0	5.00
Norway 5⅛ 95	50	99⅛	99⅞	0	0	5.17
Rep. of Italy 5¾ 92	150	103⅝	103⅞	−0⅛	−0⅛	4.61
Sweden 4⅝ 93	50	98⅞	99¼	−0¼	−0¼	4.86
World Bank 5½ 92	50	103⅜	103⅝	−0⅛	0	4.57

Average price change... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. BS 10¼ 93 £	50	101⅛	101½	0	+0⅛	9.87
Alg. Bk. Ned. 5½ 92 FL	150	100⅝	101⅛	0	+0⅛	5.18
Amro Bank 6¼ 92 FL	150	101⅞	102⅜	0	0	5.76
Barc. Aust. 14 91 AS	20	101⅝	102	+0⅜	+0⅜	13.24
Barc. Bk. 10¼ 97 £	250	98⅞	99⅜	0	+0¼	10.38
BP Capital 9⅞ 93 £	100	99¾	100¼	−0¼	+0⅛	9.73
British Airways 10 98 £	100	97⅜	97⅞	+0⅛	+0¼	10.38
C.I.B.C. Mort. 10⅞ 93 C$	100	†101⅝	102⅛	+0⅜	+0⅝	10.19
Coop.Ctr.Rabo. 6¼ 93 FL	100	102⅜	102⅞	−0⅛	0	5.58
Coop.Ctr.Rabo. 6 92 FL	200	101⅝	102⅛	−0⅛	−0⅛	5.47
Denmark 7¾ 92 ECU	100	†104	104½	+0⅛	0	6.37
Deutsche Bank 9⅞ 97 £	75	†98	98½	0	−0¼	10.17
Dest. Bk. Aust. 12¾ 95 AS	70	†98¾	99¼	+0⅜	+0⅜	12.89
E.I.B 10⅛ 98 C$	130	†99	99½	+0⅛	+0⅝	10.23
E.I.B 8⅝ 93 LF	10	†101¾	102¼	0	−0⅛	8.00
Elec.France 10¼ 95 C$	125	†100	100½	+0⅜	+0⅜	10.19
Euratom 7⅞ 97 ECU	145	†96½	97	+0⅛	+0¼	7.89
Eurofima 7½ 92 FL	50	†106	108	0	0	5.45
Fed.Bus.Dv.Bk. 9⅞ 92 C$	75	†100⅝	101⅛	+0⅜	+0⅝	9.47
Ford Cr.Can. 10⅞ 93 C$	100	†103¼	103¾	+0⅛	+0⅜	9.75
Gillette Can. 9⅝ 93 £	70	97	97½	+0⅛	−0¼	10.34
G.M.A.C. 9¾ 93 C$	150	†99¼	99¾	+0⅛	+0⅝	9.87
G.M.A.C. 9¼ 92 C$	75	†99⅞	100⅜	0	+0⅝	9.20
G.M.A.C Aus.Fin. 14 90 AS	50	100½	101	0	+0¼	13.52
Halifax BS 10⅜ 97 £	100	99⅞	100⅜	+0⅝	+0⅞	10.33
Heineken NV. 6½ 91 FL	150	†102¾	103¼	0	−0⅛	5.24
Imp Chem Inds 10 03 £	100	97⅛	97⅝	0	+0½	10.35
Inv.Industry Int. 10 93 £	60	100⅝	101⅛	−0⅛	+0¼	9.75
Lloyds Bank 10¼ 98 £	150	97¾	98¼	0	+0⅝	10.59
Mtge.Bk.Den. 6¼ 91 FL	100	102⅞	103½	0	0	5.46
Nat.Australia 14 92 AS	50	101⅜	101⅞	+0¼	+0⅞	-0.25
Nat. West. Bk. 13⅛ 92 AS	50	†102⅝	103⅛	+0⅜	+0⅜	12.19
Nationwide BS 10⅛ 93 £	75	100⅝	101⅛	+0⅛	+0⅜	9.87
Ned.Midd.Bank 6 92 FL	150	101¼	101¾	+0⅛	0	5.54
New Zealand 9½ 93 £	100	98¾	99¼	0	+0½	9.75
New Zealand 7¼ 93 ECU	200	†101	101½	+0⅛	+0⅜	7.41
Oesters.Ktbk. 13⅝ 94 AS	75	101¾	102¼	+0½	+0⅝	13.10
Prudential Fin. 9⅝ 07 £	150	90½	91⅛	−0¼	+0⅝	10.52
Royal Bk.Scot. 10⅝ 98 £	125	99⅞	100⅜	+0½	+1⅛	10.64
S.D.R. 7⅞ 95 ECU	90	†99¼	99¾	+0⅛	+0⅛	7.84
Wstd.Lb.Fin. 12½ 93 AS	50	†101	101½	−1⅛	+0⅜	12.12
World Bank 5⅞ 92 FL	100	101⅞	102⅜	0	+0¼	5.11
World Bank 13⅜ 92 AS	100	†103¾	104¼	+0½	+2¼	12.06

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	†.0312	100.17	100.27	13/12	7.91
Alliance & Leic. Bld 94 £	.08	99.33	99.38	21/07	8.33
Belgium 91	0	100.25	100.35	22/08	7
Britannia 5 93 £	0⅛	99.81	99.86	8/07	8¾
Chase Manhattan Corp 91	0¼	99.25	99.43	22/08	6.94
Citicorp 98	†0¼	96.75	96.97	31/08	7.69
EEC 3 92 DM	†0	100.52	100.62	22/08	3.56
Halifax BS 94 £	.1	99.70	99.76	9/08	8.47
Invt. In Industry 94 £	0	99.55	99.65	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.92	99.97	13/07	8.37
Midland Bank 01 £	.1	94.12	95.12	11/08	8.54
Milk Mkt. Brd. 5 93 £	0⅛	99.73	99.78	30/06	8.82
New Zealand 5 97 £	.07	99.83	99.93	18/08	7.81
New Zealand 5 01	0	99.50	99.60	4/08	6.98
United Kingdom 5 92	†0	100.00	100.10	7/07	6.94
Woodside Fin. 5¼ 97	†0	99.59	99.69	28/07	7.31
Woolwich 5 95 £	0⅛	99.36	99.41	19/08	7.87

Average price change... On day 0.00 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	8/87	62	101⅛	102⅛	+0½	24.45
Alco Health 6¼ 01	†7/86	26.25	102½	103½	+0½	−8.35
American Brands 7⅞ 02	9/87	56.7	99¼	100¼	−0¼	25.69
American Can Co. 5½ 02	†4/87	66.75	64	65	+0½	63.21
Ashikaga Bank 2⅛ 02	4/87	967.	140⅞	141⅞	−1⅞	2.04
Asics 5 92 DM	12/83	472.7	202¼	203¾	+0⅞	3.93
CBS. Inc. 5 02	4/87	200.	91⅛	92⅛	−0¼	14.39
Fuji Hvy Inds 3 00	8/85	676.	223⅞	225⅛	+1⅛	0.34
Fujitsu 3 99	5/84	1106.	261	262⅛	+2⅛	−0.18
Gunma Bank 2⅛ 02	4/87	808.	172⅛	173⅞	−2⅞	5.71
Kinki-Sogo Bk. 2⅞ 03 US	4/88	1069.	138⅞	140⅛	−2⅛	6.53
Land Secs. 6¼ 02 £	6/87	6.72	100⅛	101⅝	−0¼	15.38
MCA INC 5½ 02 US	9/87	69.62	80	81	0	34.63
Minolta Camera 2¼ 94 DM	2/86	1004.	104	105½	−0⅛	16.74
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	120⅞	122⅛	+0⅝	4.59
Mitsui trust 2⅛ 01	10/86	1903.	148⅛	149⅞	−2⅛	0.53
Next PLC 5⅛ 03 £	11/87	4.3	103⅛	104½	−0¼	68.75
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	143⅞	144⅞	+1⅛	16.34
Omron Tateisi 2⅝ 02	4/87	1310.	233⅞	235	+4¼	1.35
Ranks Hovis 4¼ 03 £	1/88	3.5	116½	117½	0	10.68
Redland 7¼ 02 £	1/87	5.4	92¼	93¼	+0¼	21.27
Texas Inst. 2⅞ 02 US	9/87	82.87	78⅛	79½	0	36.74
W.R. Grace 6¼ 02 US	9/87	42.12	84⅛	85⅛	+0⅛	32.62

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Northern Foods matches City estimates with £77m

BY LISA WOOD

Christopher Haskins – seeking selective acquisitions.

Northern Foods, a major supplier of foods to Marks and Spencer in which Hazlewood Foods has a 3.6 per cent stake, yesterday reported pre-tax profits of £77.3m for the year to March 31 1988, a modest increase on last year's £75.2m.

The results – in line with City expectations – were dampened by Northern's final withdrawal from the US which inflicted a £7.8m reduction in North American contributions. This amounted to £2.8m compared with £10.6m last time. Northern intends to retain its Canadian business, Northern Fine Foods.

However, the benefits of rationalisation and reorganisation in the UK started to come through in the second half with profits for the year increasing by 15 per cent.

Earnings per share were up by 9 per cent to 24.89p. The directors recommend a final dividend of 5.75p making a total for the year of 10p (9p).

Mr Christopher Haskins, chairman, said the final phase of restructuring was being completed and Northern, with no gearing, was looking to make selective acquisitions. He said Northern would be prepared to go back into the US should Marks and Spencer decide to enter the US food market.

Northern has reorganised its UK and Irish businesses into four groups: dairy, convenience foods, meat and grocery. UK sales in 1988 totalled £1.01bn, an increase of three per cent on the previous year with operating profit up by 18 per cent. UK operating margins increased from 6.7 per cent to 7.5 per cent.

The continuing decline of the dairy market has led to heavy rationalisation of the group. Two-thirds of Northern milk rounds have been franchised with the remainder going to franchise next year. Increased efficiencies have been made in processing and packing cartoned milks.

The convenience foods group – which includes recipe dishes, quiches, pies and desserts – showed a 30 per cent increase in operating profit to £13.2m. More than 75 new products were launched with M and S. Problems at Park Cakes, where a change in customer distribution adversely affected profits last year, were being resolved although plant still had spare capacity.

The meat group, which includes the Bowyers sausage and pie business, showed a marginal increase in operating profit to £13.2m. Cost reductions and benefits from investment improved profitability in the second half with McLaren Meat Processors and Baron Meats being sold.

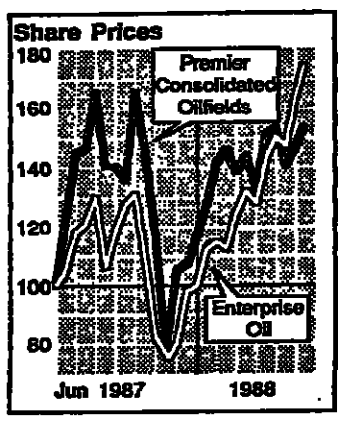
Operating profits of the grocery group rose by 26 per cent to £12.6m with sales of Fox's branded products up by 25 per cent. Increased capacity for Fox's is in progress at a cost of £14m.

See Lex

Premier Oilfields doubles to £14.7m

BY STEVEN BUTLER

Premier Consolidated Oilfields, Britain's third biggest oil exploration and production company, doubled net earnings from £7.2m to £14.7m in the year to the end of March.



The figures, expected in the market, included a £3.66m extraordinary gain on the sale of Premier's stake in Tricentrol, which was partially offset by a writedown of Premier's 2 per cent stake in Ultramar. Ultramar's share price has risen since the end of the accounting year.

Mr Roland Shaw, chairman, said that Premier would be interested in acquiring Ultramar's Indonesian assets should Ultramar be taken over and split up, although he also regarded the share holding as a sound investment based on Ultramar's potential performance.

Mr Shaw has met with other major shareholders in Ultramar, although he declined to go into details of the discussions.

Premier's turnover rose by 39 per cent in the year under review to £28.3m. This reflected an increase in average oil production from the North Sea, Wytch Farm and Trinidad, from 5,770 barrels a day to 6,900 b/d. Average sterling oil prices also firmed over the period. At the pre-tax level, profits increased from £8.6m to £14.3m.

Premier drilled nine wells as operator since the end of March 1987, and has participated in 15 other wells. In the current year, Premier expects to operate three North Sea wells, five appraisal wells in Trinidad and one well each in Thailand and Papua New Guinea. It will participate in 38 other exploration, development and appraisal wells.

Mr Shaw said cash flow was sufficient to fund current operations. The company has just completed a $200m credit facility and had net cash of £25m.

The chairman added that Premier was in negotiations with several major oil companies on a farm-out arrangement for its exploration acreage in Thailand and Papua New Guinea. Under these arrangements, Premier's partner would undertake future drilling expenses in exchange for a percentage share of the field. Premier has completed extensive seismic studies of the area and has located several drilling prospects.

Premier's earnings per share in 1987-88 rose from 1.86p to 3.14p. No dividend was declared, although the company plans a one-for-10 scrip issue.

● **comment**

The benefits of Premier's share-for-asset deal with Burmah showed through again in yesterday's results. Premier now has a sizeable cash flow from which to finance its drilling programme. Premier has emerged as a solidly-financed company that is brimming with cash and the opportunities are probably better than ever to show that it has the ability to find substantial quantities of oil. On this score, its record has been middling at best, which perhaps explains in part why its share price performance has not matched its rivals in the independent sector. Even so, by most reckonings the share price has already outstripped its asset base. Whether that premium is justified is likely to be proven in the next year or so when shareholders learn the results of the proposed drilling programme.

Acquisitions help lift BSS to over £10m

BY FIONA THOMPSON

BSS Group, industrial distribution company which supplies heating, pipeline and mechanical services equipment, yesterday reported pre-tax profits 29 per cent ahead at £10.12m for the year to March 31. The advance from £7.83m was achieved on turnover 22 per cent higher at £105.22m.

Earnings per share rose 27 per cent, from 27.4p to 34.9p, and a proposed final dividend of 8p makes a total for the year of 12p (9.25p).

In the past year, BSS, formerly British Steam Specialities, disposed of its manufacturing activities and continued its strategy of acquiring specialist distribution companies operating in fields where it has a good knowledge of the basic market. It acquired AM Supplies (pumps and controls) last October and Ivco Process Valves last December, which jointly contributed £4.8m to turnover.

The figures include a maiden full year contribution from Manor Building and Plumbing Supplies, the copper tubing business purchased in 1986. "It did extraordinarily well, I'd like to buy another Manor," said Mr Ian Phillipps, chairman. "The group has had a most successful year with good increases from both the original businesses and from Manor," he added.

BSS supplies everything to do with pipework systems – ferrous, copper and plastic pipes, pumps, valves and controls – to a range of customers including builders and plumbers merchants, hospitals and local authority buildings, the oil and petrochemical industry, mechanical services contractors and manufacturing industries.

About half of BSS's business is related to new construction and half to maintenance. "We like the balance," said Mr Phillipps. "When there is a boom in the building industry we have more sales on that side whereas during a recession our maintenance business leaps up."

Interest payable declined from £227,000 to £18,000, mainly due to funds emanating from the disposal of manufacturing businesses and some time passing before they were utilised for acquisitions. The company now has 35 BSS outlets in the UK and Ireland, as well as three Manor, nine Ivco and six AM Supplies branches. It plans to open three more BSS and one Manor outlet this year.

Tax took £3.67m, compared with £2.79m last year.

● **comment**

It has been a good year for BSS and the City responded to these better-than-expected results by lifting the shares 10p to 383p. The decision to abandon manufacturing and concentrate on distribution has proved a sound one, as this is plainly where its expertise lies. BSS knows its market well and has focused on providing a wide choice of materials via an overnight service. Demand for both industrial/commercial and domestic heating products was strong, as construction activity continued to boom, and the replacement market has seen a quite significant boost in the last few years. Though some doom merchants are predicting a construction downturn, others are equally vehement that trading will remain robust. Analysts are looking this year for pre-tax profits of between £11m and £12m, putting the shares on a prospective p/e of just above 9 – very reasonable.

Dawson hit by $ and cashmere price rise

By Clare Pearson

Dawson International, the Scottish textiles group, yesterday turned in flat pre-tax profits of £47m compared with £46.67m, for the year ended March 31 1988.

Mr Ronald Miller, chairman, said that it was a frustrating year. He explained that profits would have been about £3.5m higher without the dual problems of the falling dollar and rises in cashmere prices as a result of the "open door" policy of China, the world's main supplier. The profits were, in any case, flattered by comparison with the previous year by £1.7m extra contribution from acquisitions.

Sales, about 65 per cent of which are outside the UK, increased by six per cent to £355.31m (£334.43m). Within this, Scottish branded knitwear – which incorporates the well-known Pringle range – increased by 2.2 per cent to £79.88m (£72.27m). European fibre processing by 7 per cent to £164.44m (£149.41m), and US operations by 8 per cent to £101.15m (£94.06m). The pretax margin was nearly one per cent lower at 13 per cent.

Helped by a lower tax charge, earnings per share came out at 20.4p (20.1p). But there is a final dividend of 5.4p making 7.8p for the year, a 13 per cent increase.

The change in China to entrepreneurial peasant production of cashmere led to shortages of supply, forcing Dawson to pay a premium over contracted prices.

Mr Miller said the company had begun a new marketing push in the US market for cashmere – considered less price sensitive than Europe. Specialist retail outlets were acquired in January for the first time with the purchase of Cashmere Cashmere. Last week, initial distribution of two new upmarket ranges, one designed by Oscar de la Renta, the US designer, started in New York department stores.

The integration of two US companies acquired in 1986, J.E. Morgan, maker of thermal underwear, and Duofold, best known for its turtle neck sweaters, cost £1.5m.

Associated Products, a US shower curtain maker, achieved strong sales growth and the switch to higher priced curtains continued.

Within branded knitwear, the UK market recovered from a poor first quarter. European markets performed strongly. In July last year Pringle's West German distributor was acquired, leading to increased sales.

● **comment**

Does the person who pays £149 for a standard cashmere jersey today care if the price tag goes up to £209, as Dawson says it will next spring? The tricky question of the trade-off between price and volume is the cloud hanging over Dawson's otherwise much improved prospects now that the above-the-line knock of integrating the two mature US operations, J.E. Morgan and Duofold, has been taken. European and UK non-knitwear businesses are generally performing well, and autumn season knitwear price rises appear to have been accepted by retailers. Dawson may make £52m this year, putting the shares – which have slumped on concerns about raw material prices and the dollar – still on a single-figure prospective p/e. Cheap indeed, if the company, with its well-established brand position in the luxury end of its market, really has turned.

Meyer offshoot in £8m site disposal

Meyer International's builders' merchants subsidiary, Jewson, has sold a 14.5 acre site at Bury St Edmunds for £8m. The book value is about £400,000. The site is currently used as a Jewson branch which is being relocated on July 4.

In 1987 the group sold over 20 former trading sites which resulted in an overall net pre-tax profit against book value of £7m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Alphameric	fin	2.5†	-	1.75	3.5	2.5
Bradford Prop	fin	7	-	6	12.5	11
BSS Group	fin	8	-	6	12	9.25
Chancery Secs.§	fin	4.2†	July 28	2.2	6	3.3
Colorvision §	int	2.6	Aug 19	-	-	1.65
Dawson	fin	5.4	Aug 24	4.8	7.8	6.9
Devenish (JA)	int	0.75	July 22	0.75	-	3
Erskine House	fin	3.6	July 27	2.8	5.2†	4
F & C Smaller	fin	0.8	-	0.7*	1.14	1.02*
Feedback §	fin	1.25	-	1.25	2.5	2.5
Locker (Thomas)	fin	1.05	-	0.92	1.43	1.3
L'don/Clydeside§	int	1.7	July 26	1.7	-	5.7
Normans Group	fin	1.15	Oct 1	1.05	2.2†	2
Northern Foods	fin	5.75	-	4.75	10	9
Oceana Devlpt	fin	2.2	-	nil	2.2	nil
TGI	fin	2.4	Aug 26	-	2.4	-
Wardell Rbts §	fin	1.4 ♣	July 21	1.4	2.3	2.3
Yellowhammer	fin	1.75	-	1.5	2.5	2.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Australia Inv Tst, Hodgson Holdings, Jersey Electricity, London Scottish Bank, Norton Opax, Willoughby's Consolidated.

Finals - Bassett Foods, Clayhithe, Consolidated Murchison, Lyons Irish, Mansfield Brewery, Pilkington, Schroder Money Funds, Thermal Scientific, John Waddington, Wagon Industrial, Yale & Valor.

FUTURE DATES

Interims-

Grainger Trust	June 23
Kershaw (A)	July 14
Lowe (Robert H)	June 27
Rank Organisation	July 14

Finals-

Amber Industrial	June 24
Bristol Evening Post	July 8
Caledonia Investments	June 22
Crosby (James)	June 28
Freshbake Foods	June 29
Kewill Systems	June 22
ML Holdings	June 30
NSM	June 17
Sterling Industries	June 21
Thorn EMI	June 29
Zambia Copper Mines	June 22
Zetters Leisure	June 16

ISSUE NEWS

Hi-Tec ready to kick off stock market career with £55m offer

BY PHILIP COGGAN

PETER REID, Steve McMahon and Chris Woods were all left on the sidelines when England lost to Ireland at soccer on Sunday. But the sports shoe supplier which sponsors the three players, Hi-Tec Sports, is about to kick off its career on the stock market via an offer-for-sale which values the group at £55m.

The company was established in 1974 by its current chairman, Mr Frank van Wezel, and traded in its early years as Inter-Footwear (UK), selling the Dutch-owned Inter brand of shoes. But the real growth of the company came after 1982 when the group created the Hi-Tec brand name; its squash shoe became one of the ten best selling sports shoes in the world.

Hi-Tec is now the leading sports shoe supplier in Britain, with 19 per cent of the market; it sells around 6m pairs of shoes worldwide. They are designed in Britain but the manufacture is sub-contracted to the Far East and Europe.

The company plans to expand in Europe and the US and to develop other related leisurewear products to complement its sports shoe range.

Pre-tax profits have grown from £773,000 in the year to January 31 1984 to £6.68m last year, while turnover has grown from £18.66m to £52.88m over the same period. Citicorp Scrimgeour Vickers is offering 8.73m shares, 25 per cent of the equity, at 160p each putting the shares on a p/e of just under 14 at the offer price.

The company has made a £350,000 provision in its accounts to cover the potential claims in a court case. Judgement has been obtained against the company in a case relating to an alleged breach of contract; the company is facing other charges concerning alleged trade mark and copyright infringement. The directors intend to contest the proceedings vigorously.

● **comment**

Hi-Tec has certainly conquered the UK sports shoe market and its recent growth record is impressive; the main question is where it can go from here. Adidas and Nike are likely to fight back in Britain; expanding overseas, particularly in the US, may turn out to be a hard slog. The company has a strong position in the squash and running shoes markets but it takes time, and marketing spend, to build up credibility in other sports like football and tennis. However, the use of sports shoes as casual wear is still not as common in the UK as in the US and Hi-Tec has so far shown that it has the patience to build up such "crossover" business. The shares will not repeat the phenomenal performance of Reebok; only sporting enthusiasts should rush to fill their boots. But a prospective p/e of 11, assuming £8.5m pre-tax this year, is not a high price to ask and the issue looks likely to get away safely.

Rockfort plans £20m listing

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Roger Smee: able to consider more sophisticated financing

Rockfort, the Reading-based commercial and residential property developer controlled by Mr Roger Smee, will later this month seek a full listing for an issue of new shares to raise £20m.

The disclosure of Rockfort's intentions brings to five the number of property concerns which this week have announced market plans or listed shares. The others are Billingsgate City Securities, Savills, Erostin and English and Overseas Properties.

A listing for Rockfort would dilute Mr Smee's equity from 68 per cent to under 40 per cent and Kleinwort Benson's 25 per cent stake to about 15 per cent. Kleinwort Benson, which is managing the issue, took 25 per cent of Rockfort in 1986.

Mr Smee started Rockfort in 1976 following a career as a professional footballer with Chelsea and Reading. In between training sessions and matches, he qualified as a quantity surveyor and cut his property teeth in an estate agent's office.

Over the last three years, following an unhappy period with a construction subsidiary – "a bit like an own goal," Mr Smee conceded – Rockfort has achieved strong growth. Pre-tax profits, which had slipped to £26,000 in 1984, recovered to £664,000 in 1986 and reached £2.67m last year. The number of developments coming through suggests that this year profits should be near £7m.

The group comes to the market as a property developer rather than a trader or investment company. It acquires land, develops the buildings and then sells on the whole package. But Mr Smee makes clear that any surplus revenue above that necessary to meet the expectations of future shareholders on growth in earnings per share could be used to build up an investment property portfolio.

In the traditional way of property developers, Rockfort takes the front end risk by purchasing sites and winning the planning consents for a project before seeking funding. To date, projects have been pre-funded by the institutions and Mr Smee does not see this changing much.

But Rockfort nonetheless will have more financial flexibility after a listing. This will permit faster growth – more projects in hand at any one time – and, said Mr Smee, "We will be able to consider more sophisticated financing, we can leave equity in a project."

The two core companies are Rockfort Land, which undertakes commercial property development, and Rockfort Homes, which is building up the residential side. Some 200 homes have been built and sold in and around Reading so far.

Residential property has lately provided 15 per cent of group pre-tax profits and the plans are that this should grow to 25 per cent.

The commercial side – offices, hi-tech and retail – has spread out from Reading into the City of London with projects of small and medium size. The current development programme involves 123,000 sq ft of office and retail space.

"We're good on our home patch," claimed Mr Smee, "and we've grown into the City down the motorway corridors. For retail we will go to any sound shopping centre."

Pentos floating off property side

BY PHILIP COGGAN

English & Overseas Properties, the property subsidiary of the Pentos retailing group, is being floated on the stock market with a value of around £9m.

British Linen Bank is placing 3.81m shares at 155p each, thereby reducing the Pentos stake to 29.9 per cent. Pentos has agreed not to sell any of its remaining shares for a year.

E&OP was founded in 1978 to provide the Pentos group with suitable sites for its retail operations. During the 1980s, it has expanded, first via developments for other retailers and then through the development of industrial units.

The percentage of turnover relating to developments where Pentos group companies were tenants was 44 per cent last year but that should fall to under 10 per cent during 1988.

Pre-tax profits have grown from £490,000 in 1983 to £669,000 last year, while turnover expanded from £2.5m to £5.17m. The company is forecasting profits of not less than £1.15m for 1988.

The group has net tangible assets of 79p per share and the indicated gross dividend yield is 2.2 per cent. Dealings are expected to start on July 1.

USM placing for Appleby Westward

By Fiona Thompson

Appleby Westward, West Country grocery wholesaler, is to join the USM via a placing which values the company at £7.2m.

Stock Beech is placing 1.21m shares, representing 21.8 per cent of the enlarged equity, at 130p each, to raise £1.5m. Existing shareholders are selling 679,995 shares to realise £883,994 and 525,005 new shares will raise £682,506, before expenses.

Appleby Westward has three distinct business activities – wholesale grocery distribution, shopfitting and refrigeration, and commercial vehicle repair and servicing through its Volvo commercial parts dealership.

Grocery distribution accounts for 95 per cent of turnover. The company trades in an area from Bristol to Lands End, supplying groceries on a wholesale basis to 205 Spar retailers and 84 VG retailers. The majority of the Spar outlets trade under the "Spar Eight till Late" banner. The VG retailers offer a similar range of merchandise and those who open long hours trade under the logo of VG Latestop.

The group has increased pre-tax profits from £409,000 in 1986 to £960,000 this year, putting the shares on an historic p/e of 10.7.

Yearlings up ¼%

The interest rate for this week's issue of local authority bonds is 9¾ per cent, up ¼ of a percentage point from a month ago, and compares with 8⅞ per cent a year ago. The bonds are issued at par and are redeemable on June 21 1989.

A full list of issues will be published in tomorrow's edition.

BID DEFENCES STRENGTHENED BY £35M ELECTRONICS SALE

Low & Bonar on acquisition trail

BY CLARE PEARSON

Low & Bonar, the Scottish packaging and plastics company, has strengthened its bid defences by raising about £35m through the sale of virtually all of its electronics interests.

"This gives us a strong balance sheet and enables us to go on the acquisitions trail," Mr Roland Jarvis, chief executive, said yesterday.

Mr Jarvis originally said the electronics businesses were up for sale when the company announced disappointing results for the year to November 1987 four months ago.

The poor performance of the US and UK electronics companies, bought for £40m two years ago, was the main reason for lacklustre pre-tax profits which rose to £20.6m from £18.8m only because of a one-off pension fund rebate.

Mr Jarvis said Low & Bonar was following up changes in its share register "assiduously" following the discovery in April that Tomkins, the industrial holding group, had a two per cent interest.

But so far, no increase in the Tomkins stake, nor any other "interesting" holdings, had been uncovered by use of Companies Act provisions to demand disclosure of beneficial ownership.

Letters of intent have been signed for the sale of seven of the electronics businesses. Disposal of the remaining two, should raise about £1m.

After the deals are completed, the writing back of goodwill will add £12m to shareholders' funds, and gearing will be reduced to zero. The company will be looking for acquisitions in the paper and packaging field in the UK and the US.

Mr Jarvis said the net proceeds of the sales were "around the middle of what the company had been hoping for."

In the UK, Farnell Electronics, a listed company, is paying £8m for the two UK electronic power supply companies, Bonar Advance and Bonar Willis Hivolt. The US electronics businesses, Bonar Powertec and Bonar SCI, are being bought by an unnamed "major" US corporation.

Devenish falls short of City expectations

BY LISA WOOD

J A Devenish, the West country brewer, yesterday announced a pre-tax profit of £2.68m for the half year to March 31 compared with £2.63m for the same period last year.

The result was below City expectations and the share price fell by 21p to 331p per share.

Earnings per share rose to 5.38p, from 4.69p with the board recommending an unchanged interim dividend of 0.75p per share.

Devenish, which merged with Inn Leisure two years ago has been re-organising its tied houses, with more made into managed houses, as well as rationalising its brewing activities and launching new niche beer products under the Newquay Steam and Prohibition brand names.

Investment in the Redruth brewery and its brands took the shine from the trading profit. Profits from the retail division increased to £4.1m compared with £3m last year but the group trading profit was pulled back to £3.18m – compared with £2.66m last year – because of a trading cost of £900,000 in the brewery where production has been severely disrupted by the introduction of new production facilities. Interest costs were £1.23m compared with £374,000 in the same period last year.

Mr Michael Cannon, Devenish's chairman, said the group was introducing niche brands so as to enable it to compete in a marketplace increasingly dominated by the major national brewers. He said: "We prefer to act now and take a profits pause in order to get our act together."

He said Devenish's new products – brewed to satisfy strict German purity laws – were attracting large numbers of UK accounts as well as getting attention from both Continental and Australian brewers. Devenish bitters are already sold in Spain and Portugal.

Mr Cannon said the development programme for Devenish's managed estate in the South West had continued and should be completed by June 1989. He said there had been an increase in trading profit from the estate despite the upheaval from the closure of pubs under development.

He said the managed estates in London, Bristol and the Midlands were continuing to develop profitably and Devenish was seeking suitable opportunities for acquisition. The share price of Buckley's Brewery was "way over the top," he added.

● **comment**

Devenish's results should be seen as nothing more than a hiccup in a business run by an aggressive management with big ambitions. Most of the reduction in pre-tax profits came from set-up costs of the new niche brands and increased interest costs accruing from capital spend on the brewery which should reach break even within the next 12 to 18 months. The new brands have an impressive list of UK customers but just how attractive British brewed products will be to Continentals is more problematic. Underlying profit growth in retailing is strong with a contribution from Canonbury, a London-based wholesaler, coming in the second half. Analysts are looking for full year profits of about £10.4m – with an extraordinary item of more than £4m coming from the sale of plots on the Weymouth brewing site – putting the shares on a prospective p/e of 16.

Continental expansion move for Shandwick

By Vanessa Houlder

Shandwick, one of the world's largest public relations consultancies, yesterday announced its first acquisition in Continental Europe, in a deal that follows a string of takeovers in the US and Far East.

Shandwick is buying Kommunikations, a West German PR group for a maximum of DM 12m (£3.8m). In a separate move, it is also acquiring Rubenstein, Wolfson & Company, a New York based consultancy for a maximum of $8m (£4.3m).

Mr Peter Gummer, chairman, said that the acquisition of Kommunikations was the first stage in the creation of a European network. The growth prospects for Continental European public relations firms were particularly attractive as a result of the changes due to take place in 1992, he said.

Kommunikations is one of the nine largest PR consultancies in West Germany, according to Shandwick. It also services clients in Austria and Switzerland and made pre-tax profits before non-recurring items of DM 893,000 in 1987 on income of DM 3.2m.

Rubenstein, Wolfson & Company has been Shandwick's New York referral agency for financial PR services for over ten years. Pre-tax profits before non-recurring items were $330,000 in 1987 on income of $1.96m.

The initial payment for Kommunikations will be DM 5.6m and that for R&W $1.7m. Completion payments totalling £3.2m for the two companies will be financed by the issue of 690,608 new Shandwick shares. Further payments over the next five years will depend on profits.

Lopex purchase

Lopex, advertising and communications group, has acquired 40 per cent of Advertising People, an advertising agency based in Finland for £300,000 in cash.The purpose of the move is to strengthen Lopex's Alliance International Network.

Diversification helps lift Yellowhammer 35% to £2.25m

BY RAY BASHFORD

Yellowhammer, advertising and marketing services group, lifted pre-tax profit 35 per cent to £2.25m during the year to March 31 following a 19 per cent rise in turnover to £52.6m.

Diversification from core activities has aided the result with Generator, a new marketing services group, and Boswell Services, an advertising services company, contributing 25 per cent of the pre-tax profits.

Earnings per share rose 41 per cent to 13.7p and the directors have recommended a higher final dividend of 1.75p which with the improved interim boosts the total to 2.5p (2.1p).

Mr Jon Summerill, chairman and chief executive, said the company had consolidated its position as one of London's top 30 agencies despite highly competitive conditions. Figures prepared by Campaign show that Yellowhammer has moved five positions higher to number 28 during the 12 months under review.

Barclays dominated the company's billings, accounting for 30 per cent of the total while the Government Information Office (GIO) represented a further 10 per cent.

Following the acquisition last March of Newstech Communications, specialising in the electronics industry, Yellowhammer is planning expansion into France, which is expected to be through the establishment of a new subsidiary rather than via acquisition.

The company is also moving into specialist corporate communications through the establishment of Yellowhammer Financial.

Recent changes in the company's management structure have cleared the way for the appointment of Mr Tim Lefroy, the former deputy chairman of Young and Rubicam, as group chief executive.

● **comment**

While Yellowhammer remains highly reliant on Barclays and the GIO for a large slice of its billings, diversification into associated areas has proved a valuable source for additional earnings. Due principally to these expansions, the company has exceeded analysts' expectations during the past 12 months and forecasts for pre-tax profits this year are £2.8m. Newstech is expected to make a maiden contribution of £250,000 and Generator is performing ahead of expectations. Yellowhammer is well placed to benefit from its long-established ties with the GIO as its advertising budget rises from £80m to £150m in the current year. The company is also understood to be close to tying-up the advertising account of a national Sunday newspaper. The appointment of an outsider as the new chief executive will go some way towards allaying fears that the company is excessively dependent upon the management skills of Mr Jon Summerill. The company has performed better than most in the industry and its prospective p/e of 10.5, at last night's close of 180p, is accordingly ahead of the sector's average.

Falcon revises listing plans after reconstruction

BY PHILIP COGGAN

Falcon Resources, oil and gas company, has abandoned its earlier plans to rejoin the stock market after a capital reconstruction. The shares were suspended in October 1985, pending news of an acquisition; since then new management has taken over from the old chairman, Mr Ronnie Monk.

The new management, led by Mr Jonathan Rosen and Mr Oliver Jessel, said that the company will now be divided into two. The US oil and gas interests will be formed into a new company; an approach has been received from a listed US company which may lead to an offer for that part of the group. If an offer occurs, Falcon shareholders will be offered stock in the listed company at a discount to the market price.

The other part of the group will be a "shell" with no tangible assets or quotation. Several individuals have approached the management expressing an interests in developing the shell.

Invergordon - no talks with broker

Invergordon Distillers, the Scotch whisky distiller and blender, said it had had no discussions with Greig Middleton, the London stockbroker, regarding a possible takeover offer.

On Monday, Greig Middleton announced that it was advising on a possible offer for the Edinburgh-based group but added that it could not predict whether a formal offer would follow.

Hawker Siddeley, the aero-engine group which holds a 65 per cent stake in Invergordon, also said that it had had no contact with Greig Middleton regarding an offer.

Greig Middleton declined yesterday to elaborate on Monday's statement but confirmed that discussions with the unknown potential bidder were continuing.

Newarthill has over 6% of W. Lawrence

By Andrew Hill

Newarthill, the civil engineer and building contractor which trades as Sir Robert McAlpine, has built up a 6.04 per cent stake in Walter Lawrence, housebuilder and contractor.

Newarthill said it regarded the stake as a trade investment, one of several holdings in building companies acquired recently. The stake might be increased if the price was judged appropriate.

It was not Newarthill's policy to seek controlling interests or board representation, added the company. It was supportive of Walter Lawrence's management and would look for opportunities to work with them to mutual advantage.

Mr Trevor Mawby, chief executive of Walter Lawrence, said the company was pleased to have Newarthill as an investor.

Bergesen seeks SE listing

Bergesen, Norwegian bulk shipping group, has applied to the Stock Exchange to have its shares admitted to the Official Listby way of an introduction sponsored by County NatWest. At June 10 market capitalisation of the group was NKr4.04bn (£354m).

Clayform attacks Stead and Simpson performance

BY PAUL CHEESERIGHT,PROPERTY CORRESPONDENT

Clayform Properties yesterday launched a stinging attack on the board of Stead and Simpson, the shoe and motor retailing chain, charging that its operation would be barely profitable if it paid a realistic rental on its properties.

The attack is contained in a letter to Stead and Simpson shareholders urging them to accept the Clayform bid, which expires on June 21. Clayform is offering £12 for each ordinary share and 125p for each 'A' share. On the market yesterday the shares were respectively £14.15 and 131p, unchanged from their overnight levels.

Stead and Simpson shareholders are told that their business is in decline, with margins lower than in 1985 and that the group's attempts at diversification have been without synergy or coherent strategy. Clayform also attacked the restricted voting rights of Stead and Simpson shareholders.

"If it is perceived that no offer for Stead and Simpson can succeed, the market price of Stead and Simpson ordinary shares could eventually plummet to nearer that of the 'A' shares", Clayform said.

Aviva losses cut sharply

By Steven Butler

Aviva Petroleum, a US oil company listed in London and formerly called Jackson Exploration, yesterday announced a substantial cut in net losses in 1987 from $5.5m (£3.03m) to $1.4m.

The improved results, however, took place on a substantially reduced base of activity with gross revenues falling from $7.6m to $2.9m, while expenses fell from $13.1m to $4.2m.

Recovery sees Oceana in profit

Mainly stemming from a high level of interest from fixed income investments, Oceana Development Investment Trust has returned to profit in the year ended March 31 1988.

It made £334,000, compared with a loss of £76,000, and is also returning to dividends with 2.2p. Earnings were 4.43p (loss 1.71p).

At March 31 net asset value had fallen from 316.7p to 245.2p largely as a result of the October 1987 market crash. At the end of last month it had picked up to 247.8p.

Bryson Oil improves

Bryson Oil & Gas lifted its profit from £99,326 to £111,694 in 1987. But the inclusion of £510,834 exceptional credits gives a pre-tax surplus of £722,528, against a loss of £572,065 previously when there was an exceptional debit of £571,411.

Exceptional credits comprised a £1.45m profit on the sale of US investments less losses of £903,000 on the disposal of UK investments.

Earnings were 0.6p, against a loss of 6.5p.

Mr Delo Caspary, chairman, said the directors intended to continue building up the asset base, and had this year gained control, with a 70.95 per cent stake, of Summit Energy, a US listed company.

Mowlem £4.5m sale

John Mowlem & Company has sold Welham Plant and Eynesbury Engineering to Hewden Stuart for £4.5m. The deal does not include the Welham Thamesside depot at Purfleet, which is to be retained by Mowlem for residential development.

This move is another stage in Mowlem's rationalisation since it acquired SGB, with a number of the Welham trading activities duplicated by companies within SGB.

Brent Chemicals expands

IN A further move in implementing its strategy of becoming a predominant supplier of wet chemical processes to the world-wide printed circuit board industry, Brent Chemicals International has acquired the business and certain assets and liabilities of Circhem Corporation of the US.

Brent has also entered an agreement to acquire certain assets and liabilities of Circhem International of Canada. Both companies sell printed circuit board chemicals and their acquisition strengthens Brent's position on the east coast of the US and will give it a predominant position in the Canadian market.

Brent is paying $1.97m (£1.09m) cash on completion and is entering a six-year consultancy arrangement with the current owner, Mr Gale Noble, at an annual fee of $250,000 cash.

COMPANY NEWS IN BRIEF

AMALGAMATED FINANCIAL Investment – Assetmerit, a joint venture company in which the group has 30 per cent interest, has agreed to acquire Kings Cross House, a freehold property at 200, Pentonville Road London, for £33.4m. Purchase to be financed via £35m loan facility from Citibank.

ASH & LACY has acquired B H & B Moncaster, Lincolnshire-based distributor of welded mesh, for £628,000 and further performance related payments of £200,000.

AVIS EUROPE is to pay £425,587 in shares and cash for the outstanding share capital of Cellrent.

JAMES BEATTIE: Annual meeting told that the start to the year had been good with both sales and trading profit showing strong growth in the first quarter.

BRIERLEY INVESTMENTS has received acceptances from 4,096 shareholders holding 7.2m ordinary shares of Acadia Corporation, amounting to 91.7 per cent of the shares not previously held by the company. The offer closes on June 15 after which Brierley will invoke the compulsory acquisition procedure.

CI GROUP's first quarter results showed a significant step forward and the order book was strong Mr Roy Kettle, chairman, told annual meeting. Profits for the year would show a considerable improvement, he added.

FREDERICK COOPER said that by 3 pm on June 9, acceptances had been received in respect of 6.65m Lorlin Electronics ordinary shares, representing 95.86 per cent. The cash alternative has now closed.

CUSSINS PROPERTY Group: Annual meeting told that northern housebuilding division was currently experiencing strongest ever trading period with reservations up 30 per cent and completions well ahead. Company had agreed to acquire 75,000 sq ft retail park in Aberdeen, with strong demand shown by national non-food retailers. Site included 36,000 sq ft industrial estate.

DENCORA: Annual meeting told that in accordance with company's policy of selling off older industrial estates contracts had been exchanged for the sale of five units for £4.4m. The company expected to re-invest in well-located provincial offices.

GRAND CENTRAL Investment Holdings is raising about £4.27m after expenses in a one-for-three rights issue. Some 5.98m shares are being issued at 50p each.

INFRARED ASSOCIATES, US-based high technology company quoted on the USM, saw sales and profits in the first quarter exceed the levels of last time, the annual meeting was told. Further prototype orders had been received for specialised sensors and interest was emerging in Europe and Japan. There were signs of improvement in demand within the specialised instruments business.

LLOYDS CHEMISTS has completed the takeover of Beauty Care Drug Stores for £3.35m. Lloyds now has 332 stores in 32 counties in England and Wales.

METAL CLOSURES: Suter has increased its stake in the group to 6.63m shares, representing 26.09 per cent of the equity.

PRUDENTIAL PROPERTY Services has acquired Edward Barclay for an undisclosed consideration, satisfied partly in Prudential Corporation shares, and brings the number of estate agency outlets it operates to 750.

CHRISTIAN SALVESEN has paid £925,000 cash for Pontypool-based Alte-Xpress, a vehicle component distribution group.

SHANKS & McEWAN (Contractors) is acquiring the waste handling businesses of John Lawrie & Co (Aberdeen) and Compactwright. The initial consideration is £2.26m in cash, with deferred payments, subject to profits, up to a maximum of £100,000 in each of the next two years.

TRILION has received acceptances in respect of 21.14m ordinary shares, about 72.6 per cent of the 29.13m shares offered in its rights issue.

TRIMOCO: Bishopsgate Investments has acquired a further 750,000 ordinary and together with Norcombe, beneficially owned by Bishopsgate, now holds a total of 6.3m ordinary (7.93 per cent).

WATES CITY of London Properties has bought in 360,000 of its ordinary shares at 182.5p and 250,000 at 182p.

WSP HOLDINGS has agreed to buy Cairns and Byles, a mechanical and electrical engineering consultancy services business, for an initial consideration of £338,000 satisfied by the issue of 463,000 ordinary shares. Further deferred payment is related to profits, but the total consideration will not exceed £838,000. After deducting notional directors' remuneration, Cairns had a pre-tax profit of £103,000 in the year to April 30 1988.

SAGA HOLIDAYS has sold its former headquarters, Embrook House, in Kent, and 18.2 acres of land to Wimpey Homes Holdings for £6.08m cash. Saga has retained 9.3 acres together with a number of properties.

UK COMPANY NEWS

Erskine seeks £25m for more acquisitions

BY ANDREW HILL

Erskine House Group, the acquisitive office equipment company, is planning a £25m rights issue to fund further acquisitions.

Shares in the company slipped 5p to 227p on the news, but were supported by the announcement that Erskine House had increased profits by 78 per cent for the year to March 31 1988.

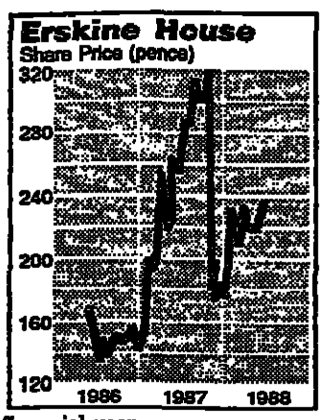
The group, which has invested some £35m in acquiring UK and US businesses since June 1986, made £9.24m before tax, against £5.19m in 1986-87, restated on a merger-accounting basis. Turnover rose to £103m (£77.9m) and earnings per share were up 38 per cent to 19.3p (14p).

Erskine House is buying two more office equipment distribution companies in the UK and US, for a maximum of about £10.4m. About £8.5m of the proceeds of the rights issue will be used for the initial payments.

Shareholders are to be offered 25.9m convertible preference shares at 100p each, on the basis of four convertibles for every five ordinary shares held. The issue has been underwritten by J. Henry Schroder Wagg.

The UK operations returned pre-tax profits of £6.01m (£4.39m) in 1987-88, a 37 per cent increase, on turnover up from £58m to £65.5m. Profits from the US business more than quadrupled to £3.23m (£801,000) before tax. Turnover rose by 64 per cent to £38m (£21.9m).

Pre-tax margins in the US rose from about 4 per cent to nearly 9 per cent. Mr Brian McGillivray, chairman, said this was mainly due to the inclusion of Mirex Corporation – which has operating margins of about 30 per cent – and Ameritech Equipment, two copier distributors and servicers bought near the beginning of the financial year.



A final dividend of 3.6p is recommended, making 5.2p (4p) for the year.

Erskine House is to buy University Copy Systems Group, a Los Angeles-based distributor of copier and fax machines, for a maximum of $12m in convertible preference shares, subject to performance over the next three years.

The company is also buying EPS, a UK distributor of laser printers, and its sister company Fontware, for £3.8m, also in convertibles.

● **comment**

Now that Erskine House has disposed of almost all its subsidiaries not involved with office equipment there seems little to hold back the former bureau de change and security company. The copier servicing arm is still the biggest earner and should remain so, barring the advent of the paperless office. Erskine House is also eyeing the possibility of distributing and servicing microcomputers and wordprocessors. There have been three rights issues and numerous vendor placings in the last five years, but the company's decision to return to the City for funds should not be held against it, given the problems experienced by any acquisitive service company trying to avoid high gearing. Mr McGillivray's claim that Erskine House increased pre-tax profits by 96 per cent last year, is perhaps overdoing it a little. The merger-accounted profits increase is still impressive, but comes out at a more modest 78 per cent. On the other hand, the company argues that for shareholders an honest assessment of earnings growth (32 per cent up on the previous reported figure of 14.6p per share) is more important. This year, pre-tax profits of about £13.5m would put the shares on a prospective multiple of about 10. Good long-term value.

Acquisitive Chancery advances to £4.92m

By Graham Deller

Chancery Securities, the acquisitive merchant banking and financial services group, yesterday reported pre-tax profits of £4.92m for the year to end-March, up from a restated £3.05m last time.

Mr Harvey Cohen, chairman of the USM-quoted group, said that before allowing for acquisitions – Chancery completed eight purchases during the last financial year, seven of which were merger accounted – the underlying rate of growth was in excess of 40 per cent.

He said the acquisitions formed part of a long-term strategy of controlled expansion into niche financial services. Profit targets for the new businesses had been set at levels which would lead to enhanced earnings per share and would "motivate the established management of the individual businesses".

There was a tax charge of £1.72m (£867,000), leaving earnings per share of 17.5p (11.5p).

The directors recommend a final dividend of 4.2p, making 6p (3.3p) for the year.

The acquisition of Tower Acceptances added instalment credit to Chancery's banking services, which together with the purchase of a factoring business, strengthened the division's capital base by over £5m.

The corporate finance side had sponsored eight issues under the Business Expansion Scheme during the year, raising some £22m.

Chancery's stockbroking operation, established through the purchase of Branston & Gothard last August, had fallen below expectations due to the October crash, but had incurred no significant bad debts.

Mr Cohen said the current year had begun well with encouraging prospects for the group's four divisions. He anticipated further growth in profits and earnings as a result of increased cross-marketing of services between divisions.

Data broadcast side sparks second-half rally at Alphameric

BY VANESSA HOULDER

A STRONG second half helped Alphameric, manufacturer of computer keyboards, viewdata, retail and dealing systems, lift pre-tax profits by 17 per cent from £3.97m to £4.64m for the year to March 31.

Turnover rose by 43 per cent to £30.03m. The results followed disappointing interim figures, which disclosed pre-tax profits of £806,000, less than half the £1.73m achieved during the same period in the previous year.

Mr Dougal Craig-Wood, chairman, said that the strong second half resulted from the company's usual seasonal bias together with good progress on sales of the data broadcast systems that had been delayed in the first half.

Mr Craig-Wood said that margins had temporarily reduced because of short term borrowings and start-up costs of the data broadcast business – the new technique of sending commercial data via spare capacity on TV transmitters.

The results were much in line with the company's forecast, released when it announced a £9m rights issue seven weeks ago. The shares eased 2p to 308p.

The figures have been merger accounted to reflect the acquisition of PC Communications for an initial £1m last November. Excluding PC Communications, profits rose by 8.5 per cent.

The keyboards division increased revenue by 43 per cent to £9.2m. The French subsidiary reported turnover of £2.1m and improved margins.

The viewdata and retail systems division boosted turnover by 87 per cent to £10.3m, although first half margins were depressed by data broadcast start-up costs. Margins, however, recovered significantly in the second half.

In the data broadcast market, Bishopsgate Systems has recently obtained access to BBC's Datacast's transmission capacity. It has completed the bulk of its orders for Coral betting shops and five high street major retailers are running pilot systems. It has also recently won an order from the Halifax Building Society for a new data broadcast system with a potential project value of £2m-3m.

Bishopsgate's financial systems division produced revenues of £7.3m and its profits contribution matched those for the previous year.

The £9m raised from the company's recent rights issue will be used to repay £2.8m of borrowings and for future acquisitions.

Research and development spending was little changed from the previous year at £1.8m. An extraordinary item of £182,000 was included in the figures, reflecting a doubtful debt from a former French subsidiary.

Earnings per share increased by 23 per cent to 21.1p. A final dividend of 2.5p per share has been proposed, making 3.5p for the year - an increase of 40 per cent.

● **comment**

Despite Alphameric's half year setback – the result of over-optimism about its latest start-ups – the enthusiasm of its City fans is unabated. On the contrary, the company still boasts an enviable reputation for its commercial and technological prowess. In particular, the data broadcasting business, which prompted the disappointment at half time, is expected to come up trumps in the coming year. Demand for this system could prove substantial from the likes of retailers, travel agencies and building societies. And in the meantime, good growth from the keyboards and dealing systems should be maintained. Analysts expect pre-tax profits of about £7.8m, which puts the shares, at 308p, on an inexpensive multiple of 11.

Joplings helps Normans profits rise to £4m

INCLUDING A first-time contribution from Joplings, the Normans Group of discount food retailers increased its profit from £2.32m to £4m in the year ended March 26 1988.

Sales growth had accelerated in the opening weeks of the current year, and sales in the major subsidiaries had all exceeded budget, the directors reported.

For 1987-88 earnings worked through at 5.01p (4.3p) per 10p share and the final dividend is 1.15p for a 2.2p (2p) total. A one-for-eight scrip issue is to be made.

Turnover rose from £100.23m to £132.57m. The advance in trading profit from £3.33m to £5.16m included a contribution from Normans Superwarehouses of £3.05m (£2.77m) with net margins improving from 3.1 to 3.2 per cent, from Joplings £1.46m for nine months (nil), Wallis £430,000 (£241,000), and other areas £217,000 (£320,000).

The directors said the objective was to earn an improved net margin on sales. The task was being made easier by the very strong growth in sales currently enjoyed by retailing companies.

Integration of Joplings, Freezway and Waldens had been completed. Trading profits from Wallis included a £93,000 contribution from the Freezway business for its first six months. Poor prices and drought reduced the share from agriculture from £249,000 to £18,000.

The group's financial position improved considerably. Shareholders' funds rose from £10.4m to £24m and the borrowing ratio was reduced.

London & Clydeside trend continues

London & Clydeside Holdings achieved pre-tax profits of £336,000 in the six months to March 31 1988, against a £119,000 loss in the comparable six months. The result was in line with the recovery of the second half of 1987 when a profit of £1.17m was reported.

The directors said the latest result was generated by an increase in the number of houses sold and also by a significant contribution from commercial development. However, they warned that second half sales were not expected to be as high as previously hoped.

The interim dividend is held at 1.7p on earnings per share of 2.4p (0.8p loss).

Colorvision surges to near £2m at midway

Colorvision, television and video retailer, lifted its pre-tax profit from £620,000 to £1.92m in the half year ended March 31 1988.

Profitability of existing outlets had continued to grow, and new shops opened in the period traded successfully from the outset, said Mr Neville Michaelson, chairman.

The group was currently trading well and increasing market share. It operates through a Management Enterprise Scheme whereby a part of the equity of each outlet is held by a local managing director.

Mr Michaelson said the group continued to expand in the north and midlands, and had begun to penetrate the south-east with openings in Northampton and south London. There were now 39 outlets.

In the half year turnover more than doubled to £11.82m (£5.6m) and operating profit jumped to £1.7m (£514,000). Earnings came to 9.17p (3.05p) and there is an interim dividend of 2.6p.

Figures for the comparative six months were taken from the prospectus issued a year ago when the group joined the USM.

See Management Page

TGI beats forecast and nearly doubles to £2.55m

TGI, which comprises three of the leading companies in the UK audio industry – Goodmans, Mordaunt-Short and Tannoy – raised pre-tax profits by 92 per cent in the year to March 31 1988 from £1.33m to £2.55m – beating the £2.4m forecast when it came to the market this January.

Turnover of £38.88m, up 53 per cent from £25.4m last time, has been bolstered by the group's broadening activities. TGI, the UK's largest designer and manufacturer of loudspeakers, has entered the in-car entertainment field and is marketing a wide range of consumer electronic products such as portable audio systems, microwave ovens, televisions and hi-fi equipment.

Earnings per share were up 65 per cent to 14.5p (8.8p), 13.3p fully diluted, and the the final dividend is the forecast 2.4p.

During the year Tannoy exported more than 75 per cent of its loudspeaker production, and completion of a large extension to its Coatbridge factory in January will further increase its capacity.

Mr Norman Crocker, chairman, was confident that the continued growth budgeted for this year would be achieved.

Pleasurama expansion

Pleasurama has made several acquisitions since the start of its present year. It was announced at the annual meeting that two restaurants and a night club in Orlando, Florida, werepurchased by its US subsidiary for $3.5m (£1.93m) and a theme park called Fun 'n' Wheels for $2.5m.

Also in Orlando, the group has acquired a long lease on the 450-seater restaurant within the new Universal Studios Theme Park which is expected to open at the end of next year.

In the UK, Pleasurama has acquired the 31 bedroom West Retford Hotel, Nottinghamshire, for £1.4m.

In addition four hotels have been bought in Oban, Nairn, Rochdale and Ostend in Belgium. Pleasurama has also acquired the company which owns the Kursaal casino and entertainment complex in Ostend.

Lofs loss increases

In the year ended March 31 1988 London & Overseas Freighters ran up a substantially increased net loss of $1.9m (£1.05m), compared with $808,000. That was equal to 0.7 cents, against 0.3 cents per share.

Thos. Locker growth

Thomas Locker (Holdings), general engineer and wire weaver, lifted profits by 34 per cent in the year to March 31 1988. The taxable result rose from £1.43m to £1.92m on turnover ahead from £29.73m to £31.69m.

After tax of £772,000 (£641,000) earnings came out at 2.59p (1.85p). The recommended final dividend of 1.05p makes a total of 1.425p (1.295p).

Aurora talks off

Negotiations for Aurora to acquire the foundries at Penistone, Yorks, from David Brown Gear Industries have broken down.

Feedback rises by 9%

Feedback, USM-quoted electronic equipment maker, improved profits by 9 per cent from £506,706 to £552,569 for the year to March 31 1988. Turnover was slightly up from £8.6m to £8.7m.

The directors are proposing a final dividend of 1.25p, making an unchanged total of 2.5p. Earnings per share rose from 3.58p to 4.53p, a 26 per cent increase.

Group orders received during the year exceeded £10m for the first time.

Bradford Property growth

A big increase in profits from sales of dealing properties helped Bradford Property Trust to lift its pre-tax profit by nearly £4m to £19.27m in the year ended April 5 1988.

Earnings worked through at 44.59p (35.87p) per share and the dividend is increased from 11p to 12.5p with a final of 7p.

Profit from dealing properties rose to £12.67m (£9.58m) while the surplus from property rentals was up to £5.68m (£4.99m). Earnings represented by rentals, after tax and preference dividend, were 12.52p (11.03p) per share.

Net assets attributable were 826p per share, taking account of the directors' opinion of the market value of properties.

F & C Smaller assets lower

Net asset value per share at F & C Smaller Companies stood at 81.5p at April 30 1988 compared with an adjusted 87.3p at the same time last year.

Revenue available for shareholders at £1.17m (£1.06m) gave earnings per share of 1.28p (adjusted 1.16p). The final dividend is 0.8p for a total of 1.14p

Wardell Roberts profits fall by 22%

Wardell Roberts, USM-quoted food distributor, returned profits of I£1.19m (£1.02m) pre-tax for the year to end-March, a decline of 22 per cent over the I£1.52m achieved for the previous 12 months.

Turnover improved from £16.9m to £20.05m.

The directors blamed the profits downturn on a depressed economic climate and increased competition, particularly in the confectionery and snack market, which led to a tightening of margins.

Profits were struck after taking account of an exceptional provision of £165,000 (nil).

Tax accounted for £226,000 (£379,000). Earnings fell to 5.8p (7.3p) but an unchanged final dividend of 1.4p makes a same-again total of 2.3p.

UTC lifts stake in Corporate Estates

UTC Group, the stockbroking and corporate finance group, has increased its stake in fellow USM company, Corporate Estates Properties, to 11 per cent. Last month Ensign Trust, the investment trust controlled by the Merchant Navy Officers' Pension Fund, acquired a 28.7 per cent stake in Corporate Estates.

Racal results delayed

Racal, the electronics group, has postponed the announcement of its preliminary results by a week until June 28, in order to give shareholders more information about the impending flotation of its Vodafone subsidiary.

McLeod Russel sale

McLeod Russel Holdings has sold its Warren Plantations (Mount Hagen) subsidiary for a nominal sum.

Warren owns tea and coffee plantations in Papua New Guinea. In the year to end-December it incurred a deficit of £1.01m. Local bank borrowings of Warren, amounting to £2.39m, have been taken over by the purchasers.

Ladbroke buoyant

Mr Cyril Stein, chairman and managing director of the Ladbroke Group, told the annual meeting that business was buoyant and that first half profits would be ahead of budget.

He added that all four divisions were continuing to make excellent progress. The Hilton International hotels were continuing to achieve record results

Mono Pumps

The buy-out of Mono Pumps Group from Gallaher by the cavity pump manufacturer's UK management and seven institutions has been completed. The buy-out was arranged by Bankers Trust Company. The management team is led by Mr Kenneth Boddington, who becomes chief executive of the acquired group, which had turnover of about £29m in its last financial year.

RKF £0.9m acquisition

RKF Group, USM-quoted land development, construction and printing group, has purchased Hurlingham Homes, a newly-formed company, for £850,000 cash.

Hurlingham has a 50 per cent interest in a joint venture partnership, the main assets of which comprise eight sheltered housing developments in the Croydon, Surrey, area.

At the completion date, the partnership had about £3.5m of work in progress and estimated net assets of £60,000.

Investment Company

Investment Company , proposes a one-for-one scrip issue.

Strong growth at Crown Eyeglass.

Crown Eyeglass has achieved strong growth in its first full set of results since joining the Third Market in May 1987. Pre-tax profits have been increased from £59,000 to £226,000 on turnover up from £1.04m to £1.73m. Earnings advanced from 2.7p to 9.8p.

The Blackburn-based company makes and distributes spectacles. Mr Joe Lee, chairman, said that with the proposed legislation changes regarding VAT and sight test fees a year of further growth was expected.

Ryan Hotels cuts first half loss

Ryan Hotels, Irish-based hotel group, has seen an improvement in trading with the first half loss reduced by £500,000 to less than £200,000, Mr Conor McCarthy, chairman, told shareholders. The group was now in profit for the year as a whole.

Since the end of the first six months the home market has been buoyant with an improvement in volume of 52 per cent over 1987. Both the US and the UK operations have been disappointing.

Why best days may be over for proudest perk

BY MICHAEL DIXON

"I WISH you wouldn't raise that subject" a personnel chief told the Jobs column the other day. *"It's one that executives get most emotional about."*

The subject he was referring to is company cars — which, not having one, I found hard to credit could stir anyone's feelings. But when I checked with a further dozen assorted managers, they all backed the personnel chief's claim.

"Oh yes!," agreed a senior banker, whose reply was fairly typical. "There's no hotter topic in the executive lunchroom." Moreover a headhunter said he knew of several candidates who, when offered a job of higher rank and salary, had rejected it solely because the four-wheeled perk provided was a bit less imposing than the one they already had.

Given the self-esteem evidently invested in cars by those on the higher perches of pecking orders, it seems likely that numerous feathers will be ruffled by the results of some recent research. It was done by the Runzheimer International consultancy in the United States, the starting point of so many trends in executive-employment which have later spread to Europe and elsewhere.

The study, of more than 200 US corporations, found a marked tendency to curb the award of company cars. Of the biggest employers questioned, 19 per cent said they had cut the number of executives receiving a car at all. And although the same drastic step was being taken by only between 8 and 14 per cent of the smaller concerns, there was a *general trend to supply staff with* lower-price vehicles.

"We think it's a move that will go on," said Runzheimer's Peter Packer from the consultancy's US head office (Rochester, Wisconsin 53167; telephone (414 534 3121). "There seem to be three major reasons for it."

"One is changes in taxation — not so much in actual rates as in the tax authorities' attitude. They've spelt out that they're going to look much more closely at whether executives who're given-cars really need them for their work, and make companies keep logs accounting for mileage and so on.

"There's also been a rise in the insurance costs involved. But that is probably less telling than the third reason, which is the drive by businesses over here to cut operational costs to increase profits," Mr Packer added.

"More and more companies seem to be deciding that downgrading the models of car they give their executives can produce a pretty good saving. Top people who used to rate a Cadillac are being told they must make do with an Oldsmobile. Those who got an Olds now get Chevrolets. As for those who had Chevvys — maybe all they'll get, if they insist their right to a car stays, is a Yugo."

The potential for similar savings by European companies

AVERAGE COST OF MANAGERS' CARS TO COMPANIES

Country	Chief executives £ a year	Other directors £ a year	Middle management: Sales & mktg £ a year	Middle management: Others £ a year
Finland	9,400	8,200	6,700	5,700
UK	8,350	6,450	5,650	5,000
West Germany	8,250	6,150	5,600	4,900
Switzerland	8,100	6,100	5,250	5,300
Netherlands	8,050	5,700	4,950	4,300
France	7,650	6,600	5,600	5,050
Belgium	7,350	5,450	4,800	4,600
Sweden	7,100	5,950	4,900	4,850
Denmark	6,900	6,150	5,850	5,450
Spain	6,650	4,700	3,700	3,900
Italy	6,250	4,750	4,500	4,250
Portugal	4,800	3,150	3,150	2,400

is suggested by the table above, compiled from a survey by the Executive Compensation Service consultancy (18 Avenue Roger Vandendriessche, Box 3, 1150 Brussels, Belgium; tel (02) 771 99 10, fax (02) 762 37 43).

The table shows the average *total costs which companies* in a dozen different countries incurred last year in providing cars to *four* types of managers: chief executives, other directors, middle-rankers in marketing and sales and their *counterparts* in other pursuits. In a *fair* number of cases, mainly in the higher ranks of course, the costs include all fuel and running expenses. Although the survey was made some months ago, I've converted the figures from US$ to sterling at the London market closing rate of June 8.

As can be seen, the United Kingdom — which apparently took the lead in making the four-wheeled perk an object of jealous executive reverence — comes second to Finland in the financial-outlay league.

But, since money costs are not constant from land to land, they say little about the importance of the spending on cars in relation to the other rewards of managers of the different nationalities. So to give some idea of that relative importance *I have calculated* each country's average outlay on chief executives' chariots as a percentage of the chiefs' average total cash pay including bonuses as well as salaries.

When the costs are measured by that yardstick, Finland and the UK yield place to Portugal and the ranking is in other ways considerably altered, as follows:

1	Portugal	24%
2	Finland	17%
3=	*United Kingdom*	*13%*
3=	Sweden	13%
5=	Netherlands	12%
5=	Spain	12%
7=	Belgium	11%
7=	Denmark	11%
9	France	10%
10	West Germany	9%
11	Italy	8%
12	Switzerland	7%

MD-designate

HEADHUNTER Alan Ahern is looking for the next managing director of a British scientific-equipment group's subsidiary producing advanced hardware and software for broadcasting and otherwise distributing information. As he may not name his client he promises to abide by applicants' requests not to be identified to the employer at this stage of the proceedings.

The subsidiary, on the south coast, is one of the group's 10 UK manufacturing operations. All of them are small and unusually independent in their running, in line with the group's belief that high technology markets are best served by compact business units focusing on particular techniques and applications.

The recruit will start as the commercial director, and be expected to show the ability to replace the present managing director, who is retiring, within about six months. After doing so, the new MD will remain much concerned with commercial affairs including sales, which are handled through agencies and other third parties, over 70 per cent being exports. There will be a good deal of overseas travel.

Candidates must be technically equipped to understand the 34-employee company's markets. A *formal qualification*, preferably in engineering, would help. But even more important are proven leadership skill and commercial acumen including the ability to negotiate at all levels.

Mr Ahern says the group would especially like to hear from people running their own smaller company in a similar field, who might be interested in managing the subsidiary in tandem with their own business with a view to an eventual merger.

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Inquiries to Ahern Associates, 60-61 Quarry St, Guildford, Surrey GU1 3UA; tel 0483 502666, telex 859500 Sharet G.

Missing

FINALLY, the Jobs Column is sorry for not being here last week, and apologises particularly to the two dozen readers who called asking where it was. The answer is in bed with a virus.

CJA

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COMMODITIES AND AGRICULTURE

Two Arab producers in oil-equivalent flood threat

BY RICHARD JOHNS IN VIENNA

SAUDI ARABIA and Kuwait are understood to have threatened other members of Opec.

The two Arab heavyweights are believed to have said they will flood the market with more than 1m barrels a day of oil equivalent from the start of next year unless the organisation agrees by December on a precise technical distinction between crude and condensates.

The warning is aimed mainly at Venezuela. The two Gulf producers have accused Venezuela of reclassifying crude as condensates.

This is the term for gas from certain hydrocarbon reservoirs which liquefies at surface temperature and is not covered by Opec production pacts.

Before the final session at Opec's meeting in Vienna last night members agreed that the current much-abused accord on output limitation should be continued for another six months, until end of this year.

In spite of the shaky accord, oil markets took the roll-over of the agreement as a positive signal. Brent crude for July delivery rose by 28 cents to \$15.82½. July futures for West Texas Intermediate crude on the New York Mercantile Exchange were 35 cents higher at \$16.78 in mid-day trading.

Under the accord, 12 members are committed to quotas with a ceiling of 15.6m b/d. Over the past two months they have been producing about 1m b/d in excess of it, quite apart from condensates.

Opec members are now reckoned to be marketing about 800,000 b/d condensates in addition to other natural-gas liquids derived from oil production. In total the volume is 1.7m b/d. This raised questions whether future sharing deals should take into account these similar sources of energy.

A committee of Opec experts will continue to discuss the problem of condensates. The problem is one which Venezuela says the conservative Arab oil-producers have raised as a means of diverting attention from their gross violations of quota commitments largely motivated by the need to support Iraq in its conflict against Iran.

Yesterday chief delegates tried to put their best light on what can only be categorised as a messy holding exercise by Opec.

Opec did not even address itself, in a four-day meeting, to six non-member producers' offer to cut output by 5 per cent if members of Opec did the same.

Other big issues left unresolved were Iraq's exclusion from the production-sharing pact and how to treat the Neutral Zone shared by Saudi Arabia and Kuwait, which neither state recognised in its own quota.

Last night there seemed a high probability that Opec would drift into a free-for-all, similar to what happened in the first half of 1986, with disastrous consequences for oil prices.

The likelihood has been increased by the United Arab Emirates confirming its repudiation of the quota, 948,000 b/d, agreed by it at the end of 1968, which in practice it has consistently exceeded.

The Saudi-Kuwaiti threat has only tended to convince the majority of poorer, more populous members that Kuwait and Saudi Arabia do not want to restore prices to about \$18 a barrel, the level set as a common objective 18 months ago.

Because of the Neutral Zone Saudi Arabia and Kuwait, with the UAE, have been mainly responsible for Opec greatly exceeding its ceiling.

Opec did, however, agree to ask Dr Subroto, until recently Indonesia's Minister of Mines and Energy and chief Opec delegate, to be secretary-general.

Such an appointment, if he accepts, would fill the post left vacant for six years mainly because of Arab-Iranian differences. Dr Subroto is regarded as an Opec moderate who is a master of compromise, something of which Opec has recently found itself in short supply.

Malaysia seeks higher prices for materials

By John Murray Brown in Jakarta

MR MAHATHIR MOHAMED, Malaysia's Prime Minister, yesterday concluded two days of talks with President Suharto of Indonesia urging further joint action in a bid to raise prices of key natural commodities.

Both countries are already party to the output accord agreed in March last year by the seven-member Association of Tin Producing Countries.

Yesterday Mr Mahathir said joint co-operation on tin could be extended to rubber, palm oil and crude oil.

"We believe we can get more income without having to increase supply," he said.

Malaysia and Indonesia were largely instrumental in winning support from other producers for the association's supply rationalisation plan aimed at cutting stock overhanging the market.

Mr Mahathir said prices, the highest since the tin market's collapse in October 1985, were "proof of the importance of co-operation between Indonesia and Malaysia and other producing countries."

Malaysia and Indonesia are leading producers of tin, rubber and palm oil. Malaysia is also a leading player in world cocoa markets.

Indonesia has reacted coolly to earlier appeals for joint action. It feels it has price advantages over Malaysia, and suffers none of the land and labour constraints.

South Africa and Australia branch out

BY KENNETH GOODING IN VIENNA

DEVELOPMENTS IN two leading gold-producing countries, South Africa and Australia, were revealed yesterday.

South Africa hoped to add value to exports of gold and other precious metals by developing a jewellery-making industry, said Mr Christian Stals, director-general of finance, Department of Finance, South Africa.

South Africa was by far the largest gold-producer and last year accounted for 40 per cent of non-Communist world mine output but most was exported as bullion.

The Government was implementing reforms including changes in taxation, customs duties and value-added requirements, and in the system of providing gold from the Reserve Bank's reserves intended to encourage the development of jewellery-making.

Development of a soundly-based jewellery industry would not be easy: the international gold jewellery business was highly competitive; a skilled labour complement was a vital ingredient. However, under the right circumstances South Africa could become an important maker of gold jewellery.

South Africa had diversified its gold-marketing techniques in the past two years and the Reserve Bank's gold department stayed in close contact with developments in all sectors of the market.

"The bank is acting more as a dealer in the gold markets and not only as a conduit for the disposal of the gold production of the country," he said.

The bank was considering whether to use the gold futures market, and studying the possibility of lending gold to mining companies to fund development.

Mr Don Mackay-Coghill, chief executive, GoldCorp Australia, said the new Gold Banking Corporation to be set up by Western Australia would be given a five-year tax holiday to help it rapidly build its capital base from A\$48m to about A\$100m. Eventually some of the equity may be floated on the stock exchange.

He said the corporation, to be set up this month, was unique in that it had access to its own gold supply via a joint project to recover the metal from waste-dumps in the Kalgoorlie area.

FT CONFERENCE

World Gold

However, it had undertaken not to become directly involved in gold-mining.

The new bank intended to offer an integrated range of gold-related services. For example, it was authorised to issue a gold-backed security to be known as the Australian Gold Note, a paper instrument payable on demand in Australian Nugget gold coins. The gold-is-money idea was an essential element in the corporation's philosophy.

Meanwhile, bankers continued to argue about the merits or otherwise of the metal.

Mr Robert Strebel, executive-committee member, Bank J. Vontobel, said that over the past 70 years gold offered an excellent hedge against currency depreciation. It could be assumed this would continue in years ahead.

In any long-term investment strategy about 5 per cent of a portfolio should be in gold. In political or economic uncertainty this should be raised to between 10 per cent and 20 per cent.

Mr Fritz Plass, senior vice-president, Deutschebank, said there had been no recent bull market in gold, merely a US-dollar bear market.

From the low point in dollar terms of \$285 an ounce in February 1985 to the peak \$503 last December, gold lost 17 per cent of its value in D-Marks, 14 per cent in yen and even 1.5 per cent in lira. If compound interest were included, the losses were much higher. In terms of the European currency unit gold fell by 10 per cent in the period.

He said the gold market was suffering from a new breed of investor, one wanting quick profits from rising prices. Willingness to buy and hold gold had fallen, making the market more volatile.

The gold market's ultimate task, as for any market, was to find a reliable, stable equilibrium. Investor demand could not do this long-term. Over-supply of gold was here to stay. "Likewise, the demand is there to stay but it is much less reliable and much more diffuse."

Mr Dennis Suskind, partner in J. Aron, said volatility was good for gold. For 10 hours in every gold-trading day New York was open for business and provided the world's most price-volatile market. Producers and consumers could use volatility to good effect.

One of New York's advantages was its liquidity, partly provided by the explosion in North American gold output, which this year would reach 310 tonnes. Canada and the US would displace the Soviet Union as the world's second-largest gold producer.

As for Japan, a leading gold-consumer, it was predicted the second stage of its tax-reform programme next year would cut investment in gold by more than 20 per cent, short-term, by Mr Itsuo Toshima, regional manager, investment division, Far East, World Gold Council.

The changes would involve introduction of a 3 per cent value-added tax but the 15 per cent commodity tax would end. This would cut total gold investment for a time but there was likely to be a surge in gold bullion coins, which currently attracted commodity tax.

The first tax changes this year ended tax-exemption on small savings and encouraged a switch to gold by some investors. This pushed up investment in gold to 60 tonnes in the first four months and put Japan on track to import 300 tonnes this year, compared with 239 tonnes last year.

He said the Japanese gold market would again be volatile next year because there was bound to be a rush by investors to buy gold between the day full details of the tax reforms were announced and the time they were implemented.

Gold price predictions came from Mr Alfred Schneider, first vice-president, Swiss Bank Corporation. He said US inflation, a big influence on the gold price, seemed to be rising. This might increase the metal's price towards \$500 an ounce this year. At the low end, Far East support would keep the price above \$420.

Looking longer term he said debts of many Third World countries and of the US had reached proportions which meant they would never be repaid and would have to be liquidated in some other way. Whether this would be by substantial inflation or a severe deflationary crisis was an open question.

He said hyperinflation implications for the gold price were obvious but it was difficult to judge what severe deflation would do. However, he assumed gold would emerge eventually from the experience "as the one and only indestructible asset of last resort, as it has been through the ages."

UK annual set-aside payments will be up to £200 per hectare

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

ANNUAL PAYMENTS of up to £200 a hectare would be offered to UK farmers who take 20 per cent or more of their arable land out of production for five years, Mr John MacGregor, UK Minister of Agriculture, said yesterday.

He was giving details of the first of the European Community's planned set-aside schemes, agreed in principle at the summit last February.

He said farmers' participation would be voluntary. It was an important new instrument in reforming the Common Agricultural Policy, complementary to action on prices, he said.

The EC-wide scheme has been designed to have common rules, with some flexibility allowed to member-states in their application. All member-governments must have produced a set-aside scheme by July 14.

Mr MacGregor yesterday made clear:

- Compensation for UK farmers would fall in the middle of the EC's allowable range of £70 to £420 a hectare a year.
- He opposed grazing of land left fallow, an option other member-states may well take up.

He told the House of Commons farmers would receive compensation provided they took out of production at least 20 per cent of arable land which had previously grown supported crops.

The base year for calculating the set-aside would be 1987-88. Farmers would contract for five years, though they could opt out of the scheme after three years.

Land set aside "will have to be maintained as fallow with a green cover crop, put to woodland or used for non-agricultural purposes," the minister said. It must be kept in good order, whether fallow was permanent or rotated round the farm.

Land for residential- or industrial-development permissions would not be eligible for payment but land could be set aside for other non-agricultural uses at a lower rate of compensation, he said.

The highest compensation, £200 per hectare per year, would be paid for land left fallow in lowland areas, either with a green crop, or put to woodland.

There would be a reducing scale of compensation for such fallowed land in hill- or least-favoured areas. This would be from £180 a hectare for fallowed land, down to £130 a hectare for non-agricultural uses.

Mr MacGregor said he had decided not to take up the option of allowing land set aside from arable crops to be grazed by livestock subject to limits on the numbers.

This was because of difficulties ensuring proper controls and the adverse effects such an option could have on existing livestock-producers, especially in upland areas.

Initial reaction from farmers last night was that the compensation offered would not be sufficient to attract good arable land from production.

Israel's diamond industry continues to surge

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S DIAMOND industry, boosted by the weak US dollar, is sparkling like never before.

Exports topped the \$1bn mark in the first five months of the year, a third up on the corresponding period last year.

This year wealthy Far Eastern consumers finally toppled the US from its long-held position as main client for Israeli-cut diamonds, reflecting the Pacific region's growth in economic strength.

Strong demand is coming from Japan, Taiwan, South Korea and Hong Kong, the latter as a jewellery-making centre for the region.

Mr Moshe Schnitzer, president of Israel's Diamond Exchange, said Japan's diamond imports rocketed by 70 per cent this year in US dollar terms, with Israel the leading supplier.

Fastest growth is in sales to young people. "Youngsters want to live, they don't want to save," Mr Schnitzer said.

Last month exports reached \$255m (£140m), 42 per cent up on the corresponding month last year.

Mr Schnitzer said the upward trend was likely to continue for the rest of the year as the big US market begins to pick up in the second half. The first half has been unusually quiet for US purchases.

He forecast Israel's diamond industry would end the year with sales of at least \$2.5bn, compared with last year's record \$2bn.

"This is a very conservative figure," he emphasised.

The Tel Aviv suburb of Ramat Gan has emerged as the world's leading centre for cutting and polishing rough diamonds. However, only about 25 per cent of the turnover accrues to Israel as value-added earnings.

Venezuelan aluminium output 'to rise'

BY JOSEPH MANN IN CARACAS

THE Venezuelan Government is projecting primary aluminium output of 455,000 tonnes this year, up from 427,000 tonnes last year. Aluminium exports for this year are expected to reach 262,000 tonnes. The rest will be sold on the domestic market.

Venezuela's two main aluminium-smelters are joint-ventures involving the Government in:

- Venalum, with a group of Japanese industrial concerns – Showa Denko, Kobe Steel, Sumika Aluminium, Mitsubishi Metals and Ryoka Light Metal Industries.
- Alcasa, with Reynolds of the US.

Venalum will ship most of its exports, 160,000 tonnes, to its Japanese partners. Other exports are ear-marked for General Motors, ASV/Hydro and Wells Aluminum.

Alcasa's main clients are Aleurope, of Belgium, Alunasa, of Costa Rica, and Reynolds. It plans to export 47,000 tonnes of primary aluminium this year.

Venezuela is progressing an expansion plan including:

- Development of a bauxite mine.
- Capacity expansion for output of alumina, primary aluminium and products.

The Government aims to boost primary aluminium output capacity to 2m tonnes a year by the end of the 1990s. Venezuela is also expanding into downstream aluminium operations outside the country.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 2,100-2,160 (2,200-2,240).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 5.15-5.40 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, ingots 7.90-8.05 (7.75-8.00), sticks 7.90-8.05 (7.75-8.00).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 6.60-6.95 (6.65-6.95).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 310-320 (290-305).

MOLYBDENUM: European free market, drummed molybdic oxide, \$ per lb Mo, in warehouse, 3.45-3.55 (3.50-3.60).

SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 9.60-9.80 (9.70-10.00).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif, 52-61 (54-61).

VANADIUM: European free market, min 98 per cent, VO, cif, 3.20-3.30 (3.10-3.20).

URANIUM: Nuexco exchange value, \$ per lb, UO, 15.75 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

THE SHAKE-OUT in base metal prices continued yesterday at the LME, with only nickel gaining ground after confirmation that union negotiators at Falconbridge, Sudbury have a mandate enabling them to call a strike without further voting when their existing agreement expires in August. The premiums for cash metal narrowed sharply for both copper and aluminium – cash copper fell by £53 a tonne compared with a £4 fall in the three-month price, while cash high-grade aluminium declined \$475 a tonne, compared with a \$95 fall for three-month metal. Traders said the extreme tightness in aluminium expected around mid-June could be past its peak. But LME supplies were likely to remain tight for some time, and July option commitments were likely to cause some fluctuations in the cash premium over the next few weeks. Meanwhile gold prices, which came under pressure from the US dollar's rally, recovered to close above five-week lows.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	\$14.00-4.15u	+0.075
Brent Blend	\$15.80-5.85u	+0.26
W.T.I. (1 pm est)	\$16.76-6.79u	+0.33
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	\$160-162	
Gas Oil (Soviet)	\$134-136	
Heavy Fuel Oil	\$72-74	+2.5
Naphtha	\$153-155	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	\$448.25	-1.00
Silver (per troy oz)♣	693c	-11
Platinum (per troy oz)	\$563.0	-5.25
Palladium (per troy oz)	\$126.75	+0.25
Aluminium (free market)	\$3880	-400
Copper (US Producer)	120½-123c	+1.0
Lead (US Producer)	35.5c	
Nickel (free market)	750c	
Tin (European free market)	£3935	+55
Tin (Kuala Lumpur market)	18.05r	-0.07
Tin (New York)	329.5c	-1.0
Zinc (Euro. Prod. Price)	\$1170	
Zinc (US Prime Western)	63.5c	
Cattle (live weight)†	115.77p	-0.72*
Sheep (dead weight)†	190.02p	-46.73*
Pigs (live weight)†	70.55p	+1.15*
London daily sugar (raw)	\$255.4y	-6.6
London daily sugar (white)	\$264.5y	-1.5
Tate and Lyle export price	£248.5	-2.5
Barley (English feed)	£102.5u	
Maize (US No 3 yellow)	£136.0	-0.5
Wheat (US Dark Northern)	£113.0y	-1.25
Rubber (spot)♥	79.0p	-2.5
Rubber (July)♥	84.5p	-2.0
Rubber (Aug)♥	83.0p	-2.0
Rubber (KL RSS No 1 July)	369.5m	-12.5
Coconut oil (Philippines)§	\$570y	
Palm Oil (Malaysian)§	\$447.5u	+2.5
Copra (Philippines)§	\$385	
Soyabeans (US)	£198.5	+1.5
Cotton "A" index	69.5c	+0.5
Wooltops (64s Super)	658p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. x-Jul/Aug. v-Jul/Sep. z-Aug. y-Jun/Jul. q-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jly	913	901	915	904
Sep	932	925	937	927
Dec	962	954	966	956
Mar	986	978	990	980
May	1005	998	1008	1000
Jly	1023	1018	1025	1016
Sep	1042	1038	1043	1037

Turnover: 2594 (2886) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 13: 1194.48 (1183.78). 10 day average for Jun 16: 1216.26 (1219.21)

COFFEE £/tonne

	Close	Previous	High/Low	
Jly	1116	1098	1116	1094
Sep	1129	1110	1128	1105
Nov	1140	1120	1140	1118
Jan	1151	1133	1150	1130
Mar	1165	1149	1155	1144
May	1175	1170	1158	1157

Turnover: 2554 (4336) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 13: Comp. daily 1979 119.58 (122.20); 15 day average 118.92 (118.77).

SUGAR \$ per tonne

Raw	Close	Previous	High/Low	
Aug	228.00	223.60	228.00	222.20
Oct	222.60	218.80	223.40	217.40
Dec	223.00	222.00		
Mar	221.00	217.20	221.00	217.00
May	224.00	217.60	220.20	
Aug	226.60	216.00		
Oct	220.60	216.00		
White				
Aug	264.00	261.00	261.00	259.00
Oct	253.00	252.00	253.00	250.00
Dec	253.00	250.00	251.40	250.50
Mar	255.00	252.00	255.00	252.00
May	255.00	252.50	255.00	254.50
Aug	257.00	253.00		
Oct	257.00	253.50		

Turnover: Raw 1805 (4808) lots of 50 tonnes; White 2089 (1643).
Paris- White (FFr per tonne): Aug 1524, Oct 1470, Dec 1470, Mar 1485, May 1488, Aug 1500

GAS OIL \$/tonne

	Close	Previous	High/Low	
Jul	136.25	134.00	137.00	134.25
Aug	136.50	134.00	137.00	134.00
Sep	137.25	135.00	138.00	135.50
Oct	138.25	136.00	138.25	136.00
Nov	139.25	137.25	139.25	139.00

Turnover: 5416 (6780) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jly	105.50	105.25	106.00	105.40
Sep	105.60	105.70	105.60	105.00
Nov	107.90	107.60	108.20	107.30
Jan	110.10	110.00	110.40	109.80
Mar	112.00	111.85	112.30	111.80
May	114.40	114.40	114.70	114.15
Barley				
Sep	101.35	101.10	101.45	101.10
Nov	103.85	103.40	103.90	103.15
Jan	106.25	105.85	106.25	105.80
Mar	108.70	108.20	108.70	108.55
May	110.60	110.25	110.60	110.50

Turnover: Wheat 213 (169), Barley 115 (87) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity (\$ per tonne)						Ring turnover 0 tonne
Cash	3595-615	4070-90		3675-85		
3 months	2785-95	2880-900		2820-30	2700-20	5,738 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 36,375 tonne
Cash	2010-20	2230-50		2135-40		
3 months	1542-3	1578-80	1564/1505	1544-5	1505-6	53,539 lots
Copper, Grade A (£ per tonne)						Ring turnover 45,800 tonne
Cash	1376-86	1430-2	1415	1414-6		
3 months	1271-2	1275-7	1282/1263	1276-7	1266-7	70,335 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1265-75	1270-80		1275-80		
3 months	1220-30	1230-40		1225-35		51 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	690-2	697-700		695-8		
3 months	702-4	709-12		707-10	695-700	574 lots
Lead (£ per tonne)						Ring turnover 11,350 tonne
Cash	372-4	369-90	364	364-5		
3 months	357-8	364-5	359/350	364-5	356-7	11,450 lots
Nickel (\$ per tonne)						Ring turnover 1,578 tonne
Cash	16000-50	15800-6000		16100-200		
3 months	14500-600	14400-500	14700/14500	14650-700	14400-500	6,019 lots
Zinc (£ per tonne)						Ring turnover 20,925 tonne
Cash	729-31	740-2	731	730-1		
3 months	690-1	696-8	704/698	690-1	693-5	21,249 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	93.0	94.0		
Feb	103.0	102.5		
Apr	142.1	145.8	145.5	141.7
May	152.5	155.9	154.0	153.0

Turnover: 385 (718) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Jun	176.00		175.00	
Aug	169.40	168.50	169.00	168.50
Oct	169.50	168.50	170.00	163.50
Dec	171.50	171.00	171.50	170.00
Feb	174.00	174.00	174.00	173.10
Apr	174.00		174.00	
Jun	168.50		165.50	168.40

Turnover: 580 (225) lots of 100 tonnes.

FREIGHT FUTURES \$10/index point

	Close	Previous	High/Low	
Jly	1226.0	1266.0	1260.0	1235.0
Oct	1355.5	1378.0	1367.0	1355.0
Jan	1392.0	1400.0	1390.0	1392.0
Apr	1427.5	1441.5	1430.0	1427.5
Oct	1350.0	1349.0	1350.0	
BFI	1278.0	1253.0		

Turnover: 578 (210)

COTTON

Liverpool- Spot and shipment sales for the week ending June 10 amounted to 370 tonnes against 335 tonnes in the previous week. Fair trading occurred although the variation of growths was relatively low. Interest centred mainly on West African qualities.

LONDON BULLION MARKET

Gold (fine oz)	\$ price	£ equivalent
Close	448-448½	250-250½
Opening	450-450½	247½-248
Morning fix	450.8	249.375
Afternoon fix	446.5	249.163
Day's high	451-451½	
Day's low	445½-446¼	
Coins	**\$ price**	**£ equivalent**
US Eagle	461½-466½	257½-260½
Mapleleaf	461½-466½	257½-260½
Britannia	461½-466½	257½-260½
Krugerrand	447-450	249½-251½
1/2 Krug	234-243	131½-136½
1/4 Krug	116-124	65-69½
Angel	460-465	257¼-260½
1/10 Angel	47-52	26¼-29¼
New Sov.	105½-106½	59-59½
Old Sov.	105½-107½	59-60
Noble Plat	580.15-7.85	319.1-23.35

Silver fix	p/fine oz	US cts equiv
Spot	394.45	698.00
3 months	402.80	711.40
6 months	411.30	725.15
12 months	419.55	754.60

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price \$ tonne	July	Sept	July	Sept
2700	223	239	74	233
2800	148	177	138	320
3000	87	130	227	420
Aluminium (99.5%)	**Calls**		**Puts**	
2700	218	214	81	247
2850	139	157	151	338
3000	83	113	254	441
Copper (Grade A)	**Calls**		**Puts**	
2250	223	154	47	160
2400	132	97	105	250
2550	70	58	183	359

US MARKETS

THE PRECIOUS METALS markets came under pressure following release of the revised April U.S. trade deficit figure, reports Drexel Burnham Lambert. Trade and local selling touched off commission house stops, although underlying trade support prompted a recovery in gold towards the close. Copper also eased as the U.S. dollar strengthened, light stops were hit, but the market held support levels before local short-covering rallied prices on the close. Energy futures reacted to indications of possible prodcution cuts by O.P.E.C. as trade and local buying firmed prices. Coffee finished lower in moderate trading with trade acitivity on both sides of the market. Sugar tended to follow the grains, but also rallied after trade buying at the lows prompted commission house buying. Cocoa fell in early trading on arbitrage and commission house selling but recovered on a combination of trade sacle buying and commission house short-covering. The grains were higher, once again, as analysis of a thirty-day forecast indicated lower than normal precipitation and higher than normal temperatures. Maize, especially, rallied to limit-up as traders feared crop damage.

New York

GOLD 100 troy oz.; \$/troy oz.

	Close	Previous	High/Low	
Jun	450.6	449.6	452.0	447.0
Jul	451.6	450.8	450.5	450.5
Aug	454.6	453.8	455.4	450.3
Oct	459.5	458.8	460.5	455.3
Dec	464.6	464.0	465.5	460.3
Feb	469.8	469.4	470.0	468.0
Apr	475.1	474.9	472.5	472.5
Jun	480.4	480.4	481.5	480.8
Aug	486.0	486.2	0	0

PLATINUM 50 troy oz; \$/troy oz.

	Close	Previous	High/Low	
Jun	565.2	575.2	0	0
Jul	568.7	576.7	574.5	561.2
Oct	573.1	583.0	580.5	567.5
Jan	580.1	590.5	584.0	578.0
Apr	587.1	598.0	590.0	589.0
Jul	594.6	605.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	704.0	702.5	0	0
Jul	707.0	705.5	710.0	666.0
Aug	711.8	710.3	0	0
Sep	716.6	715.1	720.0	696.0
Dec	731.1	729.7	734.0	709.0
Jan	735.8	734.5	0	0
Mar	745.3	745.1	749.0	732.0
May	756.8	756.9	0	0
Jul	767.9	767.1	752.0	752.0
Sep	779.0	778.4	780.0	779.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	108.50	112.15	109.00	108.50
Jul	103.85	107.85	106.80	102.90
Aug	99.45	102.90	0	0
Sep	95.15	98.15	97.30	94.40
Dec	87.95	189.15	90.50	87.60
Jan	86.30	187.15	0	0
Mar	83.00	183.15	85.50	82.50
May	80.60	80.40	82.50	80.00
Jul	80.00	79.50	83.00	83.00
Sep	79.50	78.80	0	0

CRUDE OIL (Light) 42,000 US galls \$/barrel

	Latest	Previous	High/Low	
Jul	16.80	16.43	16.82	16.62
Aug	16.95	16.57	16.96	16.72
Sep	17.01	16.62	17.02	16.77
Oct	17.04	16.65	17.04	16.80
Nov	17.02	16.66	17.02	16.85
Dec	17.07	16.67	17.07	16.89
Feb	16.65	16.62	0	0
Apr	16.85	16.58	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4456	4375	4480	4405
Aug	4515	4429	4520	4460
Sep	4590	4500	4595	4540
Oct	4670	4578	4670	4620
Nov	4735	4651	4735	4700
Jan	4840	4759	4840	4823
Mar	4650	4569	4655	4640

COCOA 10 tonnes;\$/tonnes

	Close	Previous	High/Low	
Jul	1556	1562	1562	1548
Sep	1580	1587	1585	1572
Dec	1605	1616	1610	1598
Mar	1640	1650	1644	1631
May	1665	1675	1657	1657
Jul	1690	1700	0	0
Sep	1715	1725	1715	1710

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	135.05	136.30	136.10	134.65
Sep	137.10	138.15	137.95	136.60
Dec	138.90	140.20	139.55	138.40
Mar	139.50	140.38	139.50	139.45
May	139.75	141.00	139.50	139.50
Jul	140.25	141.50	0	0
Sep	144.00	144.00	142.00	142.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.87	9.68	9.89	9.63
Oct	9.88	9.65	9.90	9.59
Jan	9.80	9.65	0	0
Mar	9.80	9.61	9.82	9.54
May	9.78	9.63	9.77	9.55
Jul	9.77	9.64	9.77	9.58
Oct	9.76	9.62	9.69	9.58

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	66.91	66.55	67.00	65.55
Oct	65.65	65.42	65.80	64.65
Dec	64.61	64.04	64.70	63.80
Mar	65.18	64.55	65.10	64.20
May	65.40	64.65	65.00	65.00
Jul	65.60	64.65	65.00	65.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	173.50	175.70	175.60	173.00
Sep	170.75	171.70	172.00	170.50
Nov	160.55	160.50	160.75	160.50
Jan	155.95	156.00	156.00	155.50
Mar	155.45	155.50	0	0
May	154.60	155.00	0	0
Jul	153.45	154.70	0	0
Sep	153.45	154.70	0	0
Nov	153.45	154.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

June 13	June 10	mnth ago	yr ago
1924.5	1930.1	1768.0	1596.2

DOW JONES (Base: December 31 1974 = 100)

Spot	140.37	139.52	131.70	130.73
Futures	141.60	141.62	134.39	126.62

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	890/0	877/0	898/0	878/0
Aug	894/0	882/0	903/0	883/4
Sep	893/0	881/4	904/0	883/0
Nov	895/4	891/0	905/0	883/0
Jan	896/0	885/0	906/0	887/0
Mar	897/4	888/0	906/0	889/0
May	885/0	876/4	894/0	882/0
Jul	872/4	868/0	885/0	872/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	25.68	25.01	25.98	24.85
Aug	25.92	25.26	26.21	25.15
Sep	26.22	25.51	26.43	25.49
Oct	26.40	25.75	26.65	25.75
Dec	26.62	25.97	26.87	25.95
Jan	26.62	26.00	26.75	26.05
Mar	26.62	26.02	26.80	26.10
May	26.40	26.05	26.65	26.15

SOYABEAN MEAL 100 tons; \$/ton

	Close	Previous	High/Low	
Jul	283.5	282.2	288.8	283.0
Aug	280.7	280.0	286.0	280.5
Sep	280.0	277.2	284.0	279.5
Oct	279.0	274.7	282.0	278.0
Dec	277.7	274.2	281.0	275.5
Jan	276.2	271.0	279.0	274.0
Mar	273.2	270.5	0	271.0
May	272.5	270.5	275.0	270.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	269/4	259/4	269/4	260/6
Sep	277/4	267/4	277/4	269/0
Dec	289/6	279/6	289/6	282/0
Mar	296/2	286/2	296/2	288/0
May	298/4	289/4	298/4	291/4
Jul	297/0	290/0	300/0	293/4
Sep	272/4	268/0	277/6	270/0
Dec	256/4	253/0	260/0	254/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	374/0	369/6	376/0	369/4
Sep	381/6	378/0	384/0	378/0
Dec	391/2	385/6	393/0	387/4
Mar	391/4	390/0	394/0	389/0
May	376/0	372/0	378/0	374/0
Jul	341/4	335/4	346/0	338/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	71.80	71.95	72.15	71.55
Aug	66.00	65.80	66.20	65.40
Oct	65.45	65.72	65.65	65.05
Dec	67.52	67.77	67.95	67.15
Feb	68.80	69.07	69.25	68.50
Apr	71.00	70.95	71.40	70.85
Jun	71.05	71.20	71.40	70.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	50.65	51.56	51.68	50.80
Jul	49.57	50.47	50.80	49.50
Aug	47.25	48.22	48.40	46.66
Oct	43.27	44.15	44.25	43.20
Dec	45.25	46.30	46.60	45.02
Feb	47.40	48.20	48.32	47.37
Apr	45.57	46.30	45.65	45.00
Jun	48.80	48.37	48.85	48.25

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	46.47	48.35	49.00	46.40
Aug	45.67	47.57	48.25	45.60
Feb	59.57	60.65	61.30	59.45
Mar	59.35	60.45	60.65	59.70
May	59.05	60.15	60.17	59.05
Jul	59.35	60.35	61.80	59.95

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures boost dollar

THE DOLLAR rose to its best level since October last year, following a sharp contraction in the April US trade deficit. The adjusted shortfall narrowed to $9.89bn from a revised $11.7bn deficit in March. Most predictions had centred on $12bn. In addition, seasonally adjusted imports fell to $36.11bn from $38.7bn, while exports were only slightly down at $26.22bn compared with $26.7bn.

The figures were regarded as extremely impressive, with the reduction in imports suggesting that there may be some softening in consumer demand. A further indication may be gleaned from today's release of US retail sales figures.

However dealers saw the dollar's improvement being restricted by central bank intervention. The Bundesbank has already made it clear that a weaker D-Mark will not be tolerated. "There is no chance Bank will allow imported inflation through a weak currency," one dealer volunteered.

In addition the US Federal Reserve will be keen to see the dollar on a relatively stable footing in the run up to this week's economic summit being held in Toronto.

Monday's comments by Mr Manuel Johnson, vice-chairman of the US Federal Reserve Board, suggesting that the dollar had room for improvement, would now provide a strong base for the US unit however.

The dollar moved up one and a half pfennigs on the trade figures and finished close to the day's high at DM1.7465, up from DM1.7250 on Monday. Against the yen it rose to Y126.40 from Y125.15. Elsewhere it finished at SFr1.4625 from SFr1.4425 and FFr5.8900 compared with FFr5.8250. On Bank of England figures, the dollar's exchange rate index rose from 93.7 to 94.3.

Sterling finished on a very weak note. Much of the recent rise had been based on its label as the least unattractive alternative to the dollar, but once the US unit returned to favour, sterling was likely to suffer.

The pound's exchange rate index fell to 76.4 from 77.0 at the opening and 77.1 on Monday night. Against the dollar it shed over three cents to $1.7850 from $1.8165, and one and a half pfennigs against the D-Mark to DM3.1175 compared with DM3.1325. Elsewhere it finished at Y225.50 from Y227.25 and SFr2.6100 from SFr2.6200. Against the French franc it closed at FFr10.5150 from FFr10.5825.

Sterling was still above an important chart support level of around 75.7 on its exchange rate index. A break below this could prompt heavy liquidation of sterling positions. But the UK authorities are unlikely to be too concerned, given their much publicised desire to see base rates higher.

The French franc suffered against a stronger dollar but made useful progress against the D-Mark in Paris. The German unit opened at FFr3.3765, little changed from Monday's close but then slipped to FFr3.3743 at the fixing. After the trade figures, it fell further to FFr3.3705.

Dealers were waiting for a television broadcast by President Mitterrand - due after the close of business in Europe - on whether he intends to form a Socialist minority government or attempt an alliance with centre parties.

The D-Mark lost ground to the dollar despite reports that the Bundesbank had been selling dollars. There was no suggestion of any other banks intervening. However dealers did not rule out the possibility of co-ordinated intervention, if the dollar continued to rise.

£ IN NEW YORK

June 14	Latest	Previous Close
£ Spot	1.7910-1.7920	1.8170-1.8180
1 month	0.07-0.06pm	0.08-0.07pm
3 months	0.37-0.34pm	0.35-0.31pm
12 months	1.70-1.60pm	1.50-1.41pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4501	+2.34	+1.02	±1.5344
Danish Krone	7.85212	7.89341	+0.53	-0.79	±1.5404
German D-Mark	2.05853	2.07866	+0.98	-0.34	±1.0981
French Franc	6.90403	7.01383	+1.59	+0.27	±1.3674
Dutch Guilder	2.31943	2.33333	+0.60	-0.72	±1.5012
Irish Punt	0.768411	0.776669	+1.07	-0.25	±1.6684
Italian Lira	1483.58	1543.93	+4.07	+3.30	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

June 14	Day's spread
US	1.7800-1.8155
Canada	2.1725-2.1880
Netherlands	3.49½-3.52
Belgium	65.05-65.75
Denmark	11.79½-11.93½
Ireland	1.1625-1.1740
W. Germany	3.11¼-3.13½
Portugal	252.25-256.70

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

US bonds sharply firmer

US INTEREST rate and bond futures moved up sharply in Liffe trading yesterday, after better than expected US trade data. Bond prices for September delivery were over a full point higher, as the dollar moved to an eight month high.

The argument ran that a fall in US imports could herald a slow down in consumer demand, and thus reduce pressure on the Federal Reserve to tighten credit. Aggressive short covering pushed the September price up to a high of 89-12, having opened at 87-22. It closed at 89-06, up from 87-26 on Monday.

Three-month Euro-dollar deposits moved up as cash rates eased gently on the dollar's strength. The September price rose to 92.20 from 92.05 at the start and 92.06 previously.

Long gilt futures took heart from the stronger US bond market and shrugged aside sterling's dismal performance. The latter was seen as a bullish sign, in the long term, since it allowed the authorities greater opportunity to use higher interest rates in their fight against inflation.

Trading volume improved considerably from Monday, with nearly 20,000 lots traded in the September contract. The latter moved up to 97-10 from an opening of 96-10, compared with the previous close of 96-11.

Three-month sterling deposits did not fare so well. A rise in cash rates saw the September price dip to a low of 90.59 at one point, before recovering to 90.63. This was still well down from 90.75 at the start and 90.82 on Monday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	526	547	6	19
94	336	406	16	42
96	162	247	42	119
98	57	143	137	215
100	20	60	300	332
102	9	31	453	503
104	3	14	647	650

Estimated volume total, Calls 2440 Puts 1921
Previous day's open int. Calls 20776 Puts 24751

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
82	722	700	10	44
84	532	531	20	111
86	352	410	40	154
88	225	302	113	246
90	122	209	210	353
92	44	129	332	509
94	20	—	508	—

Estimated volume total, Calls 54 Puts 91
Previous day's open int. Calls 535 Puts 660

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
17000	1630	1738	0	13
17500	1132	1272	2	47
18000	653	856	23	130
18500	220	518	90	293
19000	67	278	437	553
19500	9	131	879	906
20000	1	53	1371	1326

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 27 Puts 130

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

CURRENCY FUTURES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 46,963

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

MONEY MARKETS

London rates higher

MONEY RATES were higher in London yesterday as the pound reacted badly to better than expected US trade figures. Three-month interbank money rose rose 8⅝-8½ p.c. from 3⅛-8⅛ p.c. while the one year rate moved up to 9⅛-9⅛ p.c. from 9⅛/⅛ p.c.

Dealers saw the pound's decline as an opportunity for the authorities to push base rates firmer. Monday's producer prices index was seen as a warning that inflationary pressure could be building up, and with money supply already growing beyond the official target band, most traders saw the next move in rates as being upwards.

UK clearing bank base lending rate 8½ per cent from June 3

Overnight money opened at 7-6⅞ p.c. and eased to a low of 6 p.c. before touching a high of 7⅞ p.c. Late balances were taken nearer 6 p.c. however.

The Bank of England forecast a surplus of around £150m. Bills maturing in official hands and repayment of any late assistance, together with a take up of Treasury bills drained £112m while the unwinding of previous sale and repurchase agreements took out a further £59m. These were more than offset by Exchequer transactions, which added £770m, and a fall in the note circulation of £70m. In addition, banks brought forward balances £20m above target.

The forecast was revised to a surplus of around £200m but there was no intervention by the Bank. A further revision took the surplus back to £150m, and the Bank sold £112m of Treasury bills at 6⅞ p.c., maturing today.

In Frankfurt the Bundesbank allocated DM13.1bn at yesterday's sale and repurchase tender, coinciding with a maturing facility of DM7.5bn. The latest injection of liquidity was at the higher end of expectations, although dealers pointed out that corporate tax payments later this month would put considerable pressure on liquidity.

However, there were suggestions that the authorities wished to keep the market liquid to enable the Bundesbank to intervene in currency markets and try and hold down the dollar. The latest cash allocation would then help to offset the drain of D-Marks caused by selling dollars.

Call money eased to 3.40 p.c. from 3.45 p.c. after the repurchase details were known. Despite the dollar's improvement, after better than expected trade figures, dealers saw little chance of an early rise in West German interest rates. This sentiment was given added weight when the Bundesbank announced that there would be no news conference after today's meeting of the central council.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Unit Tst Mngrs				
80 Holdenhurst Rd, Bournemouth				0345 717373
High Income				
American Income	42 7	45 4	-0 2	6 04
Gilts & Fixed Int	113 0	120 2	-0 2	8 32
High Inc Equity	119.1	126.7		4.70
Worldwide Bond	186 1	197 8	-0 9	4 90
Capital Growth				
American Growth	146 8	157 0	-0 1	1 30
Asian Pacific	67 5	72 1	-0 2	1 15
Assets & Earnings	137 3	146 0	-0 3	1 84
Capital Reserve Acc.	79 0	79 4		3 78
Commty & Energy	98 5	105 3	-0 6	1 01
European Capital	70 6	75 0	-0 3	1 00
General	165 2	175 7	-0 6	2 56
Japan	97 3	104 0	+0 5	0 00
Mastertrust	72 8	77 8		2.33
UK Growth Acc	188 1	200 1	-0 3	1 47
UK Growth Dist	128 0	136 1	-0 2	2.16
US Emerging Cos	43 4	46 1	-0 2	0 00
Income & Growth	253.3	269 4xd	-0 3	3 53
Ethical Growth	41 90	44 8xd	-0 1	2.79
Abtrust Management Ltd				
10 Queens Terrace Aberdeen AB9 1QJ				0224 633070
20 Chiswell St, London EC1Y 4TY				01-374 6801
		Freephone 0800 833580		
UK Growth	31 3	33 3	-0 1	3 15
Nth Amer Inc (2)	24 5	26 1	-0 2	4 57
World Gwth	39 8	42 3xd		1 13
Extra Income	38 2	40 6xd		4.84
Formerly Baltic Trust Managers Limited				
American	39 4	42 0	-0 3	2.20
Amer Extra Inc.	35 4	37 7	-0 7	6 04
Australian	22 8	24 3	-0 3	1 42
European	42 4	45 1	-0 1	-
Gilt & Fixed Int	23 7	25 3xd	+0 1	9 44
Global Income	36 0	38 4xd	-0 1	5 03
High Income	53 9	57 4xd	-0 1	5.30

	Bid Price	Offer Price	+ or -	Yield Gross
Capital	249 8	264 8	-0 5	2 99
Balanced	413 3	438 1xd	-0 6	3 36
Accumulator	637 2	675 4	-1.8	3 17
Income Trusts				
American Income	27 4	29 2		4 14
High Income	297 5	315 3	-0 1	4 70
Equity Income	176.6	187 2	+0 2	4 17
High Yield	173 7	184 1xd	-0 1	5 02
Govt Securities	30 4	31.5		7 78
International Trusts				
Amer Spec Sits	59 9	63 8	+0.2	1 66
European Growth	17 6	18.7		1 34
International	91 3	97 2	+0 4	1 02
Japan	143 5	152 8	-0 9	0 01
Pacific	223 7	238 2	-0 8	0.20
Secs of America	181 2	193 0xd	-0.3	0 89
Wwide Asset Val	26.6	28 3	+0 1	1 06

	Bid Price	Offer Price	+ or -	Yield Gross
Bishopsgate Progressive Mgmt. Co				
15 St James' Place, London SW1A 1NW				01-493 8111
Progressive Inc.	£15 04	15 87	...	1.36
Progressive Acc.	£21 11	22 28	...	1.36
International Inc.	£15 07	15.91	...	1.77
International Acc.	£18 69	19 73	...	1.77
Can & Foreign Inc.	180.3	190 3	.....	0 96
Can & Foreign Acc.	200 9	212.0	...	0 96
Special Sits Inc.	159 7	169 0	.....	2.42
Special Sits Acc.	159 7	169.0	.....	2.42
Brewin Dolphin Unit Tst Mngrs Ltd				
5 Giltspur St, London EC1A 9DE				01-248 4400
Brewin Capital	183 0	194 7	.....	1.00
Brewin Dividend	98.5	104 8	.....	5.82
Brewin Int Gth Inc.	208.9	222.3	.....	3.31

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

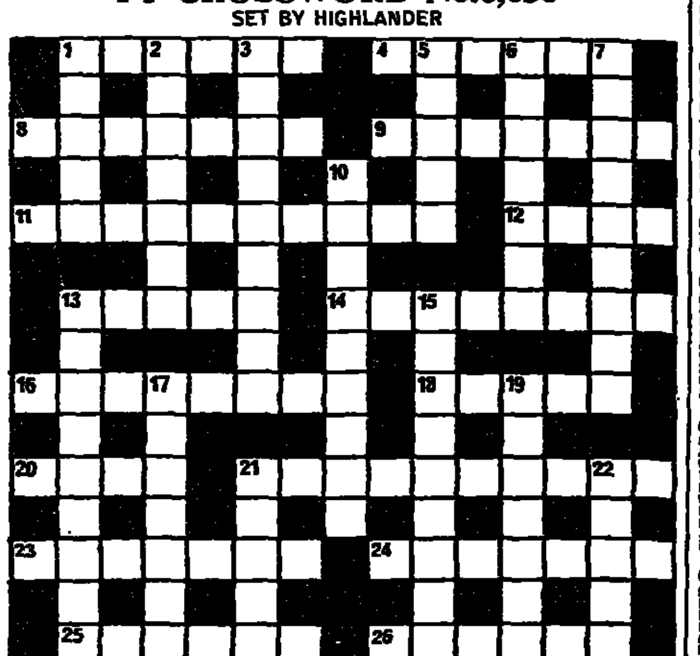
FT 30	FTSE 100	WALL STREET
Jun 1481/1490 +32	Jun. 1865/1875 +37	Jun 2122/2134 +31
Sep. 1488/1497 +29	Sep. 1874/1884 +35	Sep 2135/2147 +29

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

FT CROSSWORD No.6,656

SET BY HIGHLANDER



ACROSS

1 Current charge for buttonhole (6)
4 Sound of foot movement is plain (6)
8 House providing food for lower classes (7)
9 Sit down opposite but don't keep appointment (5,2)
11 Merchandise up to now is not moving at all (5,5)
12 Card game cheat (4)
13 Having fled, returned with first of Tang pottery (5)
14 Rip off someone who's reckless (8)
16 Primate has to drive back; point is accepted by most (8)
18 Notice time taken to produce saw (5)
20 Conflict preceding beginning of nuclear alert (4)
21 Iris perhaps; Eliza Doolittle certainly (6,4)
23 Part sea bird, entirely wading bird (7)
24 Bit of trouble with group finance (7)
25 Foreign news agency on the Spanish border (6)
26 Make different dates, unknown to regular girlfriend (6)

DOWN

1 Round in a boxing match (5)
2 Take care of isinglass left at the bottom – it's priceless (7)
3 Sun is rising and it is contributing to nasal congestion (9)
5 Young one gets a pound in all (5)
6 Sleep over? Expert has a cure (7)
7 To clarify anagram clue, I go out with American (9)
10 Authoritative demands accepted by secretary (9)
13 Mad artist, deranged theatrical writer (9)
15 Demotion to a place underground (9)
17 Notes amount of time taken (7)
19 A broken leg needs support: some pupils are taught this (7)
21 Smith's equipment is fake (5)
22 Strewn with boulders but not stable (5)

Solution to Puzzle No.6,655

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MIDDLE  STARTOFF
O A A L E E W O
THIRDFORM SALVO
H R Y G P P E T
BOYS BLUEBOTTLE
A M I O S N D
LEADING TOSSED
L I T I M F
 ODIHAM CAVIARE
A O E Y E N E
MANAGEMENT BALL
B A R B I F T F
ULTRA EXCELSIOR
S A P R S A O E
HALFHOSE STANCE
```

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks 0296 394000

American Eagle	61.0	65.0xd	+0.1	1.27
Australia	7.9	8.4	-0.1	0.10
Commodity	79.5	84.6	-0.3	1.06
Convertible	149.0	158.6	-	5.51
Equity	143.5	152.9xd	-0.1	3.21
Euro Spec Sits	77.5	82.1	-0.1	1.32
Financial	31.1	33.1	-	1.90
Global Opps Inc	57.3	60.7	-0.1	-
Global Opps Acc	57.3	60.7	-0.1	-
Gold Income	53.5	56.6	-0.3	0.88
Gold Acc	98.5	104.6	-0.4	0.88
Income	108.0	114.9xd	+0.1	4.70
Japan	126.9	134.5	+0.2	0.10
Pacific Income	114.5	121.8	-	0.87
Pacific Re Inv	142.2	151.4	+0.1	0.87
Preference Share	25.3	26.9	-	6.79
Special Sits	100.4	106.9	-0.3	0.58
Technology	41.5	44.2	-	0.10
UK Capital	89.9	95.7	+0.1	1.27
World Income	49.9	52.9	-	5.30
Worldwide Capital	145.0	154.0	-	1.16
Equity Exempt	111.0	118.1xd	-1.1	1.54
Equity Exempt Acc	212.6	226.2	-2.0	1.54

Templeton Investment Management
20 Copthall Avenue, EC2R 7PA. 01-588 6064

Intl Pot & Cir'ces	87.7	92.4xd	-2.4	-

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

American Opps	37.3	39.8	-0.1	1.38
(Accum Units)	38.1	40.6	-0.1	1.38
European Opps	42.2	45.0	-	1.06
Far Eastern Opps	82.7	88.0	-0.4	0.46
(Accum Units)	82.7	88.2	-0.3	0.46
Golden Opps	34.4	36.7	-0.2	1.21
Intl Hi-Yield	43.0	45.9	-0.1	4.29
Japanese Opps	59.6	63.6	+0.1	0.88
(Accum Units)	59.6	63.6	-0.4	0.88
Kangaroo	30.3	32.3xd	-0.4	1.38
Oriental Income	28.0	29.9	..	2.07
(Accum Units)	28.5	30.4	..	2.07
Pacific Technology	52.0	55.5	+0.4	0.00
(Accum Units)	52.0	55.5	+0.4	0.00
Tiger	79.7	85.0	+0.1	0.50
(Accum Units)	80.5	85.9	-0.2	0.50
UK Hi-Yield	41.0	43.7xd	-	8.57
Accum Units	44.3	47.3xd	-	8.57
UK Opps	46.8	49.9	-0.2	1.95
(Accum Units)	47.5	50.8	-0.1	1.95

Touche, Remnant Unit Trust Mngt Ltd
Mermaid Hse 2 Puddle Dock, EC4 01-248 1250

TR American Gwth	36.8	39.1	+0.1	1.60
TR Eur Sp Sits Acc.	21.8	23.2	-	1.45
TR Eur Sp Sits Inc.	21.7	23.1xd	+0.1	1.45
TR General Growth	63.4	67.5	-0.2	2.30
TR Global Tech	52.6	56.0xd	+0.4	0.35
TR Income Growth	74.3	79.0	-0.1	4.42
TR Income Monthly	58.2	61.9	-	6.47
TR Japan Growth	75.5	80.3xd	-0.1	0.16
TR Overseas Growth	51.8	55.1xd	+0.4	1.46
TR Smaller Cos	90.5	96.3xd	-0.1	1.45
TR Special Ops	104.9	111.6	-	1.81
TR Mgd Eq Plan Acc.	25.6	27.2	-	3.46
TR Mgd Eq Plan Inc	25.3	26.9	-	3.46
TR Wwde Sp Sit Acc	25.5	27.1	-	1.33
TR Wwde Sp Sit Inc	25.5	27.1	-	1.33

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Jun 1	220.8	231.6	....	3.09

Triton Fd Mngrs. Ltd.
Royal Ldn Hse, Colchester CO1 1RA 0206 764400

Triton General	152.3	162.1xd	-0.1	1.92

Tyndall Unit Trust Managers Limited
25 Bucklesbury, London EC4N 248 3399

Conv & General	61.6	65.3	-	7.05
Accum Units	63.3	67.2	-0.1	7.05
Income	80.7	85.6	-0.1	4.16
Accum Units	82.1	87.0	+0.1	4.15
Smaller Co's	88.0	93.3	-	1.83
Accum Units	88.9	94.2	-0.1	1.83
UK Growth	87.7	93.3	-0.1	2.05
Accum Units	88.8	94.2	-0.1	2.05
Pacific Gold Acc	54.4	57.6	-0.4	-

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40035

British Growth	61.4	65.4	-	1.98
Technical Analysis	51.0	54.3	-0.1	2.07

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap.	185.7	197.5	-	3.37
Friars Hse Inc.	158.2	166.5	-	5.2

United Charities Unit Trusts
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

United Charities	175.5	187.2	(z)	4.46

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Greyfriars	201.9	214.8	-	1.33
(Accum Units)	206.5	219.7	-	1.33
Far East & Gen	58.3	62.0	+0.4	-
(Accum Units)	58.3	62.0	+0.4	-
Master Portfolio	68.629	70.389	-0.197	2.85
(Accum Units)	70.819	72.635	-0.203	2.85
American & Gen	56.6	60.2	+0.2	1.92
(Accum Units)	58.1	61.8	+0.1	1.92
Growth	219.2	233.2	-0.7	2.49
(Accum Units)	330.6	351.7	-1.2	2.49
High Yield	281.0	298.9	-0.5	4.29
(Accum Units)	301.4	320.6	-0.5	4.29
Special Sits	55.1	58.6	-0.2	2.22
(Accum Units)	56.9	60.5	-0.1	2.22
Trustee	166.8	177.4	-0.8	4.20
(Accum Units)	270.9	288.2	-1.1	4.20
European Inc	38.3	40.7	-0.3	0.54
(Accum Units)	38.5	41.0	-0.2	0.54

Wardley Unit Trust Managers Ltd
99, Bishopsgate, London, EC2P 2LA 01-374 0061

American	52.8	56.5xd	+0.8	1.5
Intl Growth	64.8	69.3xd	-0.3	0.4
Income	117.1	125.3	-1.1	5.4
Japan Growth	189.8	203.1	+1.3	0.1
Pacific Perf.	121.8	130.3	+0.7	0.4
Small Co's	144.2	154.3	-0.9	1.5
Technology	33.5	35.8xd	-0.1	0.1
Australia	54.6	58.4	-0.2	1.3
UK Trust	160.6	171.8xd	-0.4	2.8
European Growth	43.8	46.8	+0.1	0.1
Hong Kong	28.5	30.5	+0.9	1.3
Intl Income	20.5	22.0	-	8.9
S'pore & Mlysa Gth	20.6	22.0xd	+0.1	1.0
British Winners	25.7	27.5	-0.2	4.8

Waverley Unit Trust Management Ltd
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	21.0	22.3	-0.2	0.00
Pacific Basin	23.7	25.2	+0.2	0.6
Can Balncd Gwth	49.8	52.1	-0.2	0.1
Gnwle Nat	92.0	100.1	-0.4	8.39
Penny Share	28.1	29.8	.....	0.5

Wellington Fund Mngrs Ltd
2, London Bridge, SE1 01-407 4404

Wellington Income	109.4	116.4	.....	4.66
Wellington Growth	172.7	183.7	.....	1.29

Wessex Asset Management
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432

Wessex UK Gwth	97.2	101.2	-1.3	-

Whittingdale Unit Trust Management Ltd
2 Honey Lane, London EC2V 8BT 01-606 3132

Challenger	54.0	54.8	-0.1	-
Short Dtd Gilt	77.6	78.6	-	-
U.S. Govmnt Bond	50.530	0.531	-	-

Wilbra Financial Services Limited
PO Box 515 Austin Friars, London EC2P 2HS 01-588 7511

Aust Friars W'wide	162.9	173.4	+2.5	3.30

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cmwlth & Equity	67.5	71.9xd	-	6.60
European	48.30	51.40	-	3.77
Far Eastern	48.30	51.40	-0.40	0.92
Growth	84.0	89.4xd	-	1.84
Income	79.0	84.1	-	3.93
Property Share	47.8	50.9xd	-0.1	1.38
Smaller Co's	61.7	65.7xd	-	1.74

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth	89.8	93.8xd	.....	2.72

Weekly dealing day Tuesday

J. Rothschild Fund Managers Ltd—Contd.

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Prop. Acc. Ser 2	340.1	358.1	-0.5	-
Equity Ser 2	129.8	136.7	-0.1	-
Selective Acc.	280.9	294.8	-	-
Prop. Ser 4	268.1	282.3	-0.4	-
Equity Ser 4	132.3	139.3	-0.2	-
Fixed Int. Ser 4	212.9	224.2	-0.5	-
Indexed Inv Ser 4	120.4	126.9	-0.2	-
American Ser. 4	253.9	267.3	-1.3	-
High Inc Ser 4	371.3	390.9	-2.3	-
Japan Ser 4	282.3	297.2	-3.1	-
Man. Ser 4	369.3	388.8	-0.1	-
Money Ser 4	215.6	227.0	-0.2	-
European Ser 4	91.0	95.8	-0.5	-
Pension Funds				
Property	451.2	475.0	-0.7	-
Equity	934.2	983.4	-2.6	-
Selective	298.5	314.1	-	-
Managed	668.8	704.1	-0.6	-
Security	394.6	415.4	+0.5	-
Fixed Int.	237.2	249.7	-0.3	-
European	123.4	129.9	-1.0	-
American	206.5	217.4	-1.1	-
Japan	303.2	319.2	-2.4	-
Indexed	127.6	134.4	-0.2	-
International	141.2	148.7	+0.5	-
Ethical	99.0	104.3	-	-
High Income	98.9	104.2	-0.8	-

Abtrust Management Ltd
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	297.82	313.50	...	-
Managed Income	132.79	139.78	...	-

AEtna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303
Life Funds (Accumulation Units)

Squirrel	11.72	12.34	+0.00	-
Bear	12.20	12.85	-0.02	-
Owl	14.90	15.69	-0.02	-
Bull	13.45	14.16	-0.02	-
Stag	13.97	14.71	-0.02	-
Gilt-Edged	12.09		-0.01	-
Deposit	10.78		-0.00	-
North American	8.71	9.17	-0.00	-
European	7.52	7.92	-0.06	-
Property	11.04	11.63	-0.03	-
Index Linked	9.70	10.22	-0.00	-
Far Eastern	11.24	11.84	-0.01	-
UK Equity	11.35	11.95	-0.01	-
Fixed Interest	10.42	10.97	-0.02	-
Combined	100.6	105.9	-0.1	-
1982 Series				
UK Equity	250.0	263.2	-0.2	-
North American	159.0	167.4	-0.1	-
Far Eastern	301.3	317.2	-0.4	-
Fixed Interest	184.6	194.3	+0.0	-
Cash Deposit	135.4	142.5	+0.0	-
Property	127.0	133.7	-0.1	-
Special Opportunities	328.1	345.3	-0.4	-
Managed	219.7	231.3	-0.1	-
Index Linked Fund	117.8	124.0	+0.0	-
Brunel	111.1	117.0	-0.0	-
Star Managed-2	206.9	217.7	-0.3	-
Star Managed-3	221.2	232.9	-0.3	-
Star Managed-4	201.0	211.6	-0.1	-
Star Managed-5	198.9	209.4	-0.4	-
Pre-1982 Series				
3 Way	390.90	390.90	-2.1	-
Equity	614.80	614.80	-7.6	-
Bond	425.70	425.70	-0.40	-
Property	241.70	241.70	-5.80	-
Overseas Investment	243.00	243.00	-5.90	-
Pension Funds (Accumulation Units)				
Squirrel	13.25	13.95	-0.01	-
Bear	14.19	14.94	-0.04	-
Owl	18.08	19.04	-0.03	-
Bull	16.14	16.99	-0.04	-
Stag	16.36	17.23	-0.02	-
Gilt Edged	13.17		-0.01	-
Deposit	11.71		-0.01	-
North American	8.92	9.39	-0.01	-
European	7.70	8.11	-0.06	-
Property	12.49	13.15	-0.05	-
Index-Linked	9.72	10.24	-0.00	-
Far Eastern	12.05	12.69	-0.02	-
UK Equity	12.78	13.46	-0.01	-
Fixed Interest	10.91	11.49	-0.02	-
1982 Series				
Managed	255.1	268.6	-0.1	-
Brunel	134.4	141.5	-0.1	-
Pre 1982 Series				
Aetna Life				
3 Way	571.0	571.0	-3.00	-
Equity Pensions	902.60	902.60	-6.0	-
Aetna Pensions Ltd				
3-Way Managed	547.40	547.40	-15.6	-
Exempt Approved				
Mixed Managed	177.11	180.73	-0.16	-
Gilt Edged	13.17		-0.01	-

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311

Brit Blue Chip Fd Acc(z)	113.8	119.8	-0.2	-
Equity Fd Acc(z)	878.1	924.3	-2.3	-
European Fd Acc(z)	193.8	204.0	-0.9	-
Fixed Int Acc(z)	339.4	357.2	-0.7	-
Gtd Money Fd Acc(z)	219.9	231.4	-	-
High Income Fd Acc(z)	105.0	110.5	-0.1	-
Intl Man Fd Acc(z)	350.6	369.0	-0.4	-
Intl Fxd Int Fd Acc(z)	198.6	209.0	-0.1	-
Japan Fd(z)	298.9	314.6	-0.2	-
Nth American Fd Acc(z)	149.5	157.3	+0.7	-
Pac Basin Fd Acc(z)	121.4	127.8	+0.4	-
Prop Fd Acc(z)	264.9	278.8	-0.1	-
Multiple Inv Acc(z)	604.0	635.7	-1.0	-
UK Smllr Co's Fd Acc(z)	102.1	107.4	.....	-
Pension Funds				
Brit Blue Chip Acc(z)	121.8	128.2	-0.3	-
Eq Pen Fd Acc(z)	1639.8	1726.0	-5.7	-
Euro Fd Acc(z)	239.2	251.8	-1.6	-
Fixed Int. Acc (z)	670.4	705.7	-1.3	-
Gt Money Pn Acc(z)	380.8	400.8	-0.3	-
High Income Fd Acc(z)	109.4	115.1	-0.2	-
Intl Man Fd(z)	511.9	538.8	-0.9	-
Jap Pen Fd Acc(z)	432.1	454.8	+0.4	-
N Am Pn Fd Acc(z)	172.8	181.8	+0.8	-
Pac Basin Fd Acc(z)	133.6	140.6	+0.6	-
Property(z)	422.2	444.4	-0.2	-
UK Smllr Co's Fd Acc(z)	105.4	110.9	-	-
Mlple Inv Pens Acc(z)	1167.7	1229.1	-2.5	-
Broker Funds				
Prof. Pen. Fd.	81.9	86.2	-0.2	-
YRA Strategy	108.0	113.7	-0.1	-
Langmoor Dollar (SE)	132.6	139.6	+0.3	-
JD Ward Life Acc.	158.6	166.9	.....	-
JD Ward Pens Acc	190.5	200.4	.....	-

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep Acc.	244.4	257.3	+0.1	-
Equity Acc.	738.1	777.0	-0.2	-
Property Acc	418.6	440.7	-0.1	-
Far East Acc	177.7	187.1	+0.6	-
European Acc	18.0	19.0	-	-
Managed Acc	583.1	613.8	-0.1	-
Managed Cap	340.7	358.7	-	-
O'seas Earnings Acc	484.0	509.5	-1.1	-
Gilt Edged Acc.	307.0	323.2	-0.2	-
American Equity Acc.	359.3	378.3	-0.4	-
American Man Acc	170.4	179.4	+0.1	-
American Prop Acc.	127.0	133.7	-	-
Pen F.I. Dep Cap	268.3	282.5	+0.1	-
Pen F.I. Dep Acc.	443.9	467.3	+0.1	-
Pen. Prop. Cap.	487.7	513.4	-	-
Pen. Prop. Acc.	890.8	937.7	+0.1	-
Pen. Man. Cap.	728.4	766.8	-0.3	-
Pen. Man. Acc.	1330.1	1400.2	-0.3	-
Pen Gilt Edg Cap	307.3	323.5	-0.5	-
Pen. Gilt Edg. Acc.	459.1	483.3	-0.5	-
Pen. Eq. Cap.	1193.0	1255.8	-0.5	-
Pen. Eq. Acc.	1651.1	1738.0	-0.6	-
Pen. Am Eq Cap.	120.7	127.1	+0.2	-
Pen. Am Eq Acc.	140.8	148.3	+0.3	-
Pen Far East Cap.	211.8	223.0	-1.2	-
Pen. Far East Acc.	247.1	260.2	+1.5	-
Pen Euro Cap	20.7	21.8	-	-
Pen. Euro Acc.	21.6	22.8	-	-
Pen B.S. Acc.	477.1	501.0	+0.2	-
Pen B.S. Cap.	296.3	311.2	-	-
Pen. D.A.F. Acc.	336.3	336.3	-	-
Pen. D.A.F. Cap	234.6	234.6	+0.1	-
Pen. Managed Cap	131.7	138.7	-	-

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	264.9	278.9	—	—
Man Pens Inc & Cap Fds	337.7	355.5	—	—
Money Fund	112.7	118.7	—	—
Pens Mngd Fd (Init)	87.3	91.9	—	—
Pens Mngd Fd (Acc)	99.7	105.0	—	—
Pens FT30 Fd (Unit)	126.6	133.3	—	—
Pens FT30 Fd (Acc)	144.6	152.3	—	—
Pens O'seas MgFd (Init)	57.8	60.9	—	—
Pens O'seas MgFd Acc	66.0	69.5	—	—
Pens Fxd Int Fd (Init)	107.4	113.1	—	—
Pens Fxd Int Fd (Acc)	122.7	129.2	—	—
Pens Deposit Fd (Unit)	101.4	106.8	—	—
Pens Deposit Fd (Acc)	115.8	121.9	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	94.00	99.00	+2.0	—
Building Soc. Fd	161.0	170.0	—	—
Balanced	242.0	255.0	+1.0	—
Deposit	160.0	169.0	—	—
European	125.00	132.0	—	—
GT Managed	150.0	158.0	+1.0	—
Gartmore Mngd	102.0	107.0	+1.0	—
German	89.00	94.0	+1	—
G.lt.	172.0	182.0	—	—
High Inc	115.0	122.0	—	—
International Equity	152.0	160.0	+1	—
Japan	218.0	230.0	+1	—

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assce (Life & Pensions)

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Ashville Insurance Brokers Ltd

Atticus Financial Services Ltd

Blackstone Franks Plc

Bryan Walls & Partners Ltd

Cameron Law & Company Ltd

Capital House Fund Mngrs. (C.I.) Ltd

James Campbell & Son Financial Services

Chase de Vere Investments Ltd

Clifton Financial Mgmt Ltd

Drummond Moores Plc

First Financial Services PLC

The Fitzroyde Group

Gartmore Fund Managers Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lamont & Partners Plc

M & C Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

The Normington Group

O'Halloran & Co

Old Oak Investment Services

Outbank Fund Mgmt Ltd

PHS Fund Management Ltd

The Porchester Group

Rothschild Fund Management Ltd

Roxburghe Financial Management Ltd

Sharp (Albert E.) & Co

Siltala Fund Managers Limited

Tattersall Investment Mgmt. Ltd

Towry Law & Co

University Medical General Ltd

J. D. Ward Financial Services Ltd

Ward Consultancy

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

UK LISTED

EBC Trust Company (Jersey) Ltd

Equity & Law International Fund Mgrs Ltd

Foreign & Colonial Management Ltd

Framlington Overseas Fund Mngt. Ltd

GT Management Plc

Gartmore Investment Ltd

Global Asset Management Corpn.

John Govett Mngmnt International Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Hill Samuel Fund Mngrs (Jersey) Ltd

Ivory & Sime (Guernsey) Ltd

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International Limited

Minerals, Oils Res. Shs. Fd. Inc.

NM Schroder Fin Mgmt Intl Ltd

PFC Interntl Portfolio Fd Mngt Ltd

Prudential Intl Financial Services Ltd

Quilter International Management Ltd

Rothschild Asset Management

Royal Bank of Canada Funds

Royal Trust Fd Mngt (CI) Ltd

Save & Prosper International

The Slam Fund (Cayman) Ltd

TSB Trust Funds (CI)

Target International (Guernsey) Ltd

Thornton Investment Management Ltd

Touche Remnant (Guernsey) Limited

Tyndall International (Jersey) Ltd

Union-Investment-Gesellschaft GmbH

Warburg Investment Management Jersey Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star International

Equity & Law International Life Assur Co Ltd

Carolite Assurance Group

Fleming Life Limited

Hansard International Ltd.

MIL Britannia Intl Ass Ltd

NM Schroder Life Assurance Intl Ltd

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

Pacific Growth Fund
NAV June 14 $17.96

Pariater Bond Fund SA
NAV $13.73

Perpetual UT Mngrs (Jersey) Ltd

Offshore Intl Gwth Fd	$2.7984	2.9739
Offshore Am Gwth Fd	$2.3828	2.5322
Offshore Emerging Cos	$2.1694	2.3055
Offshore European Fd	$0.9588	1.0190
Offshore Far Eastn Fd	$1.7650	1.8757
Offshore UK Growth Fd	$1.3323	1.4159

Singer & Friedlander Ldn. Agents

Tokyo Tst NAV June 2	$19.00	
Smaller Cos Tst, May 20	124.0	131.0

Skandifond
Skandinaviska Enskilda Banken

Equity Int. Inc	$10.59	11.13
Equity Int. Acc	$10.97	11.53
Bond Int. Inc	$7.24	7.47
Bond Int. Acc	$8.16	8.41
Far East	$1.52	1.61
Multicurrency	$1.0071	1.0878
Equity Gold	$1.02	1.09xd

USA Income Portfolio
NAV June 13 $9.42

US Federal Securities Fund SA
NAV June 13 $9.79

US Pacific Stock Fund
NAV June 14 $16.16

U.S. Treasury Securities Fund Ltd
Short Term Shares $611.79
Fixed Income Shares $738.87

Money Market Trust Funds

Money Market Bank Accounts

Bank of Ireland
36 Queen St, EC4R 1BN 01-329 4500
2,000-9,999 | 8.143 | 6.25 | 8.33 | Qtr
£10,000+ | 8.469 | 6.50 | 8.67 | Qtr

Bank of Scotland
38 Threadneedle St. EC2P 2EH 01-601 6746
Money Mkt Cheque Acc | 7.25 | 5.56 | 7.41 | Mon

Barclays Prime Account
PO Box 125, Northampton 0604 252891
High Int. Cheque | 7.00 | 5.50 | 7.45 | Qtr

Benchmark Bank PLC Premier Account
9 Henrietta Place, W1M 9AG 01-631 3313

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100¾	99⅞	Treas 9½pc '88	100⅛	-⅛	9.47	8.37
102⅞	101¾	Treas 11½pc 1989	101⅞	-⅛	11.29	8.56
101	99¾	Treas 9½pc Cnv 1989	100⅜	-⅛	9.45	8.76
97¼	95	Treas 3pc 1989	97	.....	3.09	6.39
102	100⅞	Treas 10½pc 1989	101⅞	-⅛	10.34	8.79
102	100	Exch 10pc 1989	101¼	-⅛	9.89	8.92
103⅞	101	Exch 11pc 1989	102⅜	-⅛	10.74	8.90
97	95	Treas 5pc 1986-89	96⅞	.....	5.16	7.47
104⅞	101¼	Exch 10¼pc Cv '89	102⅜	.....	10.00	6.31
107½	105⅞	Treas 13pc 1990‡‡	105⅞xd	-⅛	12.28	8.91
104¼	102½	Exch 11pc 1990‡‡	103⅛	-⅛	10.67	8.92
107	105⅛	Exch 12½pc 1990	105⅝	-⅛	11.83	8.96
93¾	91⅝	Treas. 3pc 1990	93⅛		3.22	6.97
99¾	98	Treas 8¼pc 1987-90‡‡	99⅛xd	+⅛	8.31	8.67
102¼	98	Treas. 8pc Cv 1990 ‡‡	100⅛xd	+⅛	7.98	7.71
103	100⅞	Treas. 10pc Cv 1990	102⅛	+⅛	9.80	9.00
91⅞	88⅝	Exch 2½pc 1990	90⅛	+⅛	2.77	6.91
107¼	105	Treas 11¾pc 1991	106⅛xd		11.08	9.06
95⅞	92⅝	Funding 5¾pc '87-91‡‡	94⅛	+⅛	6.10	8.08
90⅞	87⅞	Treas. 3pc 1991	89¼	+⅛	3.36	7.18
105⅞	101⅝	Treas 10pc Cv '91 ‡‡	103⅛xd	+⅛	9.68	8.74
107	104	Exch. 11pc 1991	105⅛	.....	10.42	9.04
98⅞	95	Treas. 8pc 1991	97¼	.....	8.24	8.98
113	109⅞	Treas 12¾pc 1992‡‡	110⅞	-⅛	11.49	9.10
104⅞	101¼	Treas 10pc 1992	102⅞	+⅛	9.73	9.09
98	94	Treas. 8pc 1992 ‡‡	96¾	+⅛	8.27	9.01
106¼	102⅞	Treas 10½pc Cv 1992‡‡	104¾	+⅛	10.06	9.14
86	83⅞	Treas. 3pc 1992	85⅞	+¼	3.50	7.15
112⅞	108	Exch. 12¼pc '92	110⅛	.....	11.10	9.20
117⅞	113⅞	Exch 13½pc 1992	114⅞	+⅛	11.77	9.21
40	38	Treas. 8¼pc 1993 (£40)	39¾	+⅛	8.53	9.13
105	100⅞	Treas 10pc 1993‡‡	103¼	+⅛	9.68	9.12
		Five to Fifteen Years				
115⅞	111	Treas 12½pc 1993‡‡	113xd	+⅛	11.06	9.23
93	89⅝	Funding 6pc 1993‡‡	91⅛	+⅛	6.57	8.03
121	116¼	Treas 13¾pc 1993‡‡	118⅛	+⅛	11.58	9.27
101	96¼	Treas. 8¼pc 1994	96¾	+⅛	8.77	9.19
125⅝	120	Treas 14½pc 1994‡‡	122⅛	+⅛	11.81	9.26
120	115⅞	Exch 13½pc 1994	118⅛	+⅛	11.42	9.38
105	100	Treas. 10pc Ln 1994‡‡	103¼	+⅛	9.67	9.23
116	111¼	Exch. 12½pc 1994	114⅛	+⅛	10.96	9.43
101	95	Treas 9pc 1994‡‡	99¼	+⅛	9.05	9.10
114	109	Treas 12pc 1995	112½	+⅛	10.68	9.42
83¼	79¼	Exch 3pc Gas 90-95	79⅞	+⅛	3.77	6.76
106	100¼	Exch. 10¼pc 1995	104⅛xd	+⅛	9.79	9.33
120	113⅞	Treas 12¾pc 1995‡‡	117⅛	+⅛	10.83	9.37
126	119	Treas. 14pc '96	123⅛	+⅛	11.33	9.54
101	95¼	Treas 9pc 1992-96‡‡	99¼	+¼	9.07	9.12
133¾	127¼	Treas 15¼pc 1996‡‡	130⅛	+⅛	11.63	9.53
123¾	116¾	Exch 13¼pc 1996‡‡	120¾	+⅛	10.97	9.44
86	83⅞	Redemption 3pc 1986-96	83¾	+⅛	3.58	5.44
105½	99	Conversion 10pc 1996	103⅞	+⅛	9.66	9.37
124	117½	Treas 13¼pc 1997‡‡	121¾	+⅛	10.87	9.46
108	101¼	Exch 10½pc 1997	106⅛	+⅛	9.87	9.40
98	92	Treas 8¾pc 1997‡‡	96¾	+⅛	9.04	9.25
98	92½	Tr 8¾pc Ln "C" 1997 ‡‡	96¾	+⅛	9.04	9.26
134⅞	127⅝	Exch 15pc 1997	132¾	+⅛	11.32	9.64
104	97	Exch. 9¾pc 1998	102⅛xd	+⅛	9.54	9.39
87	81	Treas 6¾pc 1995-98‡‡	86⅛	+⅛	7.85	8.89
140¼	132⅞	Treas. 15½pc '98‡‡	137⅞	+⅛	11.29	9.60
118	111	Exch. 12pc 1998	116¼	+⅛	10.33	9.49
103	96¼	Treas 9½pc 1999‡‡	101⅞xd	+⅛	9.34	9.24
120	113	Exch. 12¼pc 1999	118¼	+⅛	10.35	9.48
109	102¼	Treas. 10½pc 1999	107¼	+⅛	9.78	9.40
107	100¼	Conversion 10¼pc 1999	105⅛	+⅛	9.68	9.38
100¼	86⅞	Treas. 8½pc Ln 2000‡‡	95⅛	+⅛	8.93	9.15
99⅞	93⅞	Conversion 9pc 2000‡‡	98¼	+⅛	9.14	9.20
126⅞	119	Treas. 13pc 2000	124½xd	+⅛	10.44	9.55
106⅞	99⅞	Treas 10pc 2001	105⅛	+⅛	9.52	9.30
129⅞	122⅞	Treas 14pc '98-01	127⅛	+¼	10.98	9.62
104	98	Conversion 9¾pc 2001	103⅛	+⅛	9.43	9.29
118	111¼	Exch. 12pc '99-02	116⅛	+⅛	10.32	9.51
107¼	100¼	Conversion 10pc 2002	105¼	+⅛	9.47	9.26
105	98	Treas 9¾pc 2002	103⅝	+⅛	9.39	9.26
99¾	93½	Exch. 9pc 2002	98¼	+⅛	9.14	9.19
		Over Fifteen Years				
131	123⅞	Treas. 13¾pc 2000-03	129¼	+⅛	10.62	9.57
108	100⅞	Treas 10pc 2003	106⅛	+⅛	9.40	9.20
117	109⅞	Treas. 11½pc 2001-04	115⅛	+⅛	9.97	9.40
108¼	100⅞	Treas. 10pc 2004	106⅛	+⅛	9.37	9.18
59	54¾	Funding 3½pc '99-04	58⅛xd	+⅛	5.96	8.15
104⅞	97	Conversion 9½pc 2004	102⅞	+⅛	9.24	9.15
104⅞	97	Conversion 9½pc 2005	102⅞	+⅛	9.22	9.14
113¼	105⅞	Exch.10½pc 2005	111⅞	+⅛	9.41	9.14
128	119⅞	Treas. 12½pc 2003-05	125⅞	+⅛	9.930	9.29
92	85	Treas. 8pc 2002-06‡‡	90⅝	+⅛	8.82	9.04
106⅞	99⅞	Conversion 9¾pc 2006	105⅛	+⅛	9.25	9.13
121	113⅞	Treas. 11¾pc 2003-07	119¾	+⅛	9.83	9.27
97	89⅞	Treas 8½pc 2007 ‡‡	95⅛xd	+⅛	8.89	8.99
137	128	Treas. 13½pc '04-08	134¼	+⅛	10.01	9.24
101	94	Treas. 9pc 2008 ‡‡	100⅛	+⅛	8.98	8.96
92	85	Treas 8pc 2009	91	+¼	8.78	8.93
101⅞	93¼	Conv 9pc Ln 2011 ‡‡	100xd	+⅛	8.98	8.97
68¼	62¼	Treas. 5½pc 2008-12‡‡	67⅛	+⅛	8.13	8.72
89	82⅞	Treas. 7¾pc 2012-15‡‡	87⅞	+¼	8.79	8.92

BRITISH FUNDS—Contd

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
130⅞	121	Exch. 12pc '13-'17	128⅞xd	+⅛	9.30	9.05
		Undated				
44⅞	41⅞	Consols 4pc	43⅞	+¼	9.12	-
39	37	War Loan 3½pc‡‡	39⅛	+⅛	8.93	-
52¼	48⅞	Conv. 3½pc '61 Aft	51⅞	+⅛	6.74	-
33	30	Treas. 3pc '66 Aft	32¾	+¼	9.13	-
28	26	Consols 2½pc	27¾xd	+¼	9.01	-
28	26	Treas. 2½pc	27¾	+¼	9.02	-
		Index-Linked			(1)	(2)
121	117½	Treas 2pc IL '90(384.6)	121¼	+⅛	0.73	2.28
103¼	99	Do 2pc '92‡‡ (97.8)	102½	+¼	2.11	2.78
40	39	Do 2pc '94 (£40)	40¼	.....	2.58	2.96
139¼	127½	Do. 2pc '96 (67.9)	138⅛	+⅛	2.88	3.19
114	103	Do 2½pc '01 (78.3)	113⅛	+¼	3.57	3.80
111¼	101¾	Do. 2½pc '03 (78.8)	111	+¼	3.65	3.85
112	102½	Do. 2pc '06 (69.5)	112¼xd	+¼	3.72	3.88
105	95	Do. 2½pc '09 (78.8)	105	+¼	3.75	3.89
109	99	Do 2½pc '11 (74.6)	109	+¼	3.74	3.89
90	82	Do. 2½pc '13 (89.2)	90	+¼	3.73	3.86
98	88	Do 2½pc '16 (81.6)	97	+¼	3.70	3.83
95	87¼	Do 2½pc '20 (83.0)	95¼	+¼	3.64	3.76
80	73	Do. 2½pc '24 ‡‡(97.7)	80xd	+¼	3.60	3.71

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1987 102.4 and for April 1988 105.8

INT. BANK AND O'SEAS GOVT STERLING ISSUES

High	Low	Stock	Price £	+ or -	Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	106¼	+¼	10.48	10.40
104	96	Asian Dev Bk 10¼pc Ln 2009	102	+⅛	10.01	9.96
129	120	Australia 13½pc 2010	127	+¼	10.56	10.29
112	103	Do 11½pc Ln 2015	110	+⅛	10.27	10.20
110	103	Euro Inv Bk 11pc Ln 2002	108	+⅛	10.15	9.88
105	98	Do. 10¼pc 2004	103	+⅛	10.00	9.90
120	112	Int-Am Dev Bk 12½pc 2003	118	+⅛	10.57	10.08
98	91	Do 9½pc Ln 2015	96	+⅛	10.06	10.08
98	88	Malaysia 10¾pc Ln 2009	93¾xd	+¼	11.13	11.55
130	107	Sweden 13½pc Ln 2010	128	+¼	10.49	10.18
109¼	87	Utd. Mexican States 16½pc 2008	109¼xd	+⅛	15.10	15.01

CORPORATION LOANS

High	Low	Stock	Price £	+ or -	Int.	Red.
111	105	Birmingham 13½pc 1989	105½xd	.....	12.80	9.32
115½	101	Do 11½pc 2012	110½xd	.....	10.41	10.27
94¼	87	GLC 6¾pc 1990-92	90½	.....	7.46	9.90
130	120	Leeds 13½pc 2006	123½	.....	11.11	10.76
34	26¼	Liverpool 3½pc Irred	33xd	.....	10.61	-
97	91	LCC 6¾pc '88-90	92½xd	.....	7.30	10.50
30½	25	Do 3pc '20 Aft	28	.....	10.71	-
112	100	Manchester 11½pc 2007	109½xd	.....	10.50	10.40

COMMONWEALTH & AFRICAN LOANS

High	Low	Stock	Price £	+ or -	Int.	Red.
93¼	88	NZ 7¼pc 1988-92	91¼	.....	7.90	9.60
207	197	Rhod 2½pc Non-Assd	206	.....	-	-
78	71½	Do 4½pc 87-92 Assd	77	.....	5.84	-
130	42	Zimbabwe Ann (£130pd)	45xd	.....	-	-

LOANS

High	Low	Stock	Price £	+ or -	Int.	Red.
		Building Societies				
100	99⅞	N'wide 8¾pc 29.6.88	100	.....	8.94	8.95
100	99	Do. 9⅝pc 11.7.88	100xd	.....	9.62	8.84
100	100	Do 10pc 1.8.88	100	.....	9.98	8.58
100¼	100	Do 10⅝pc 22.8.88	100	.....	10.53	8.66
100	100	Do 10⅞pc 12.9.88	100	.....	10.73	8.70
100	100	Do 10⅝pc 26.9.88	100	.....	10.58	8.79
100	100	Do 10⅜pc 31.10.88	100¼	.....	10.15	9.01
100¼	99	Do. 9¼pc 28.11.88	100xd	.....	9.25	9.12
100	99	Do. 9¾pc 28.12.88	100¼	.....	9.73	9.26
100	99	Do 9¾pc 23.1.89	100	.....	9.79	9.34
100	99	Do. 9⅞pc 20.2.89	100	.....	9.91	9.39
100	99	Do. 9⅝pc 13.3.89	100	.....	9.68	9.52
100	99	Do. 9¼pc 17.4.89	99	.....	9.22	9.52
100	87¼	Do. 3¾pc IL Ln 2021	92¼	.....	4.58	4.72
		Public Board and Ind.				
96	90	Agric Mt. 5pc '59-89	95xd	.....	5.26	8.51
48½	40	Met. Wtr. 3pc 'B'	47	.....	7.14	10.97
		Financial				
105	101¼	3i 11¾pc Un Ln '90	102¾	-¼	11.42	9.68
95½	88	Do 7¼pc ADb89-92	93½xd	-¼	7.79	10.04
110	106	Do. 12½pc Un. Ln 1992	107¾	-¼	11.64	9.13
93½	89½	Do. 7¼pc A 1991-94	91	-¼	7.97	9.16
101¼	91¾	Do. 9pc A 1991-94	98¼	-¼	9.15	9.34
100	94½	Do. 8¾pc Ln 1992-97	96¼xd	+¼	9.22	9.50

FOREIGN BONDS & RAILS

1988 High	1988 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	45	.....	3.50	17.78
45	33	Do. 6pc 28 Stb. Ass	45	.....	3	16.67
45	33	Do 4pc Mixed Ass	45xd	.....	2	14.44
75	65	Hung '24 Ass	75	.....	2.75	13.67
140	128	Hydro Quebec 15pc 2011	137¼	+½	15.00	10.58
128	118	Iceland 14½pc Ln 2016	127	+¼	14.50	11.27
101¼	96	Ireland 9¾pc '91-96	100	.....	9.75	9.65

AMERICANS

1988 High	1988 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
29¼	22¼	Abbott Laboratories‡	24¼	+¼	$1.20	-	2.7
649p	405p	Allegheny & W 1c	413p	+8	30c	-	4.0
12	862p	Amax $1	12xd	+¼	0.20	-	-
29¼	16¾	Amdahl 5c	29¼		20c	-	0.4
30	22	Amer Cyanamid $5	27¼	+½	$1.05	-	2.1
15½	11¼	Amer Express 60c	14¼	-⅛	76c	-	2.8
985p	668p	Amer Medical Int. $1	985p	+12	47c	-	4.0
17¼	13	American T. & T. $1	14¼	.....	$1.20	-	4.5
54¼	44¼	Ameritech $1	50¾	-¼	$5.40	-	-
26¼	16½	Amfac‡	26½			-	-
18½	15¾	Anheuser-Busch $1	17⅛xd	+⅛	60c	-	1.9
612p	360p	BankAmerica $1½	612p	.....		-	-
20	16	Bankers N.Y. $10	20	+⅛	$1.86	-	5.1
42	34	Bell Atlantic $1	39¼	-¼	$4.08	-	5.7
23¾	19¼	BellSouth Corp	23¾	+¼	$2.36	-	5.5
12½	850p	Bethlehem Steel $8	11⅛	+⅛	-	-	-
11¼	801p	Bio-Rad Labs. Inc. "A"	11½	-⅛	-	-	-
23¾	15¼	Bowater Inc	19¼xd	-¼	92c	-	2.6
15	11¼	Browning-Ferris 16 6c	13¼	-¼	48c	-	1.9
12¼	787p	Brunswick 75c	12⅛	-⅛	36c	-	1.6
27	21¼	CPC Intnl 25c	25¾	-¼	$1.44	-	3.0
17¾	13¼	CSX $1	15¼	-¼	$1.24	-	4.3
16¼	11½	CalFed Inc $1	14¼	+¼	$1.40	-	5.3
16¼	12¾	Campbell Soup 15c	14½xd	-⅛	84c	-	3.3
37¼	31¾	Caterpillar Inc $1	35½	-⅛	75c	-	1.2
15	11¾	Chase Manhattan $12½	15	+⅛	$2.16	-	7.4
		For Chem. New York see Chem. Banking Corp.					
17½	11¼	Chem Banking Corpn	16½xd	.....	$2.72	-	9.0
15	13	Chrysler $6¼	13xd	+¼	$1.00	-	4.1
13	9	Citicorp $1	13	-¼	$1.48	-	6.1
297p	168p	City Fed Fin. Corp	227p	+1	4c	-	1.0
25	20¾	Colgate-Palmolive $1	24¼	-⅛	$1.48	-	3.3
17	13½	Cons Freightways 62½c	15¼	+¼	90c	-	3.5
288p	134p	Cont'l Illinois Corp $1	276p	-12	8c	-	1.6
14p	7p	Cont. Illinois Hldgs $1	7p			-	-
338p	117p	Corporate Data Sciences	315p	-2		-	-
480p	300p	Cullinet Sftwr 1c	468p	-12		-	-
22	17	Dana Corp. $1	20¾		$1.52	-	4.0
15¼	10¾	Data General	12	-½		-	-
140p	44p	Derma-Lock Med	123p	+3		-	-
31½	24½	Dun & Bradstreet $1	28	.....	$1.74	-	3.4
46¼	34¼	Eaton Corpn 50c	45¼xd	-⅛	$2.00	-	2.4
18¼	14¾	FPL Group 1c	16¾		$2.20	-	7.2
16¼	10	First Chicago $5	16¼	+¼	$1.50	-	5.1
28¼	20	Ford Motor $2	28¼	-¼	$2.40	-	4.7
26½	20	GATX 62½c	26¼xd	+¼	$1.80	-	3.7
26¼	20¼	Gen. Elect 63c	29	+¼	$1.40	-	3.2
640p	425p	General Host Corp $1	640p	+9	28c	-	1.9
25	15¾	Gillette $1	20¾	+¼	86c	-	2.3
803p	474p	Gt Am First Svgs Bk $1	606p	-11	60c	-	5.4
17¼	13	Greyhound $1½	16⅛xd	-⅛	$1.32	-	4.3
880p	654p	Hasbro Inc 50c	882p	+4	12c	-	0.7
830p	600p	Home Group $1	700pxd	+13	20c	-	1.6
41¼	28	Honeywell $1½	41¼	+¼	$2.10	-	2.8
30	15¼	Hospital Corp Am $1	28		72c	-	2.0
19¼	15¼	Houston Inds. $1	17		$2.96	-	9.3
68¼	55¼	IBM Corpn $1¼	64xd	+⅛	$4.40	-	3.7
20	16¼	IC Industries	18¾xd	-⅛	80c	-	2.2
28	23¾	ITT Corpn. $1	28xd	-¼	$1.25	-	2.4
105p	40p	Image Storage R.Sn 1c	85p	-5		-	-
23¼	17¾	Ingersoll-Rand $2	23¼xd	+⅛	$1.04	-	2.4
11¼	815p	Irsitco $1	10¼	+⅛	$1.00	-	5.1
25¾	18½	Lockheed Crpn $1	25	+½	$1.60	-	3.5
19	11½	Lone Star Inds $1	19xd	-½	$1.90	-	5.4
19¾	15¼	Louisiana Land 15c	17½xd	-¼	$1.00	-	3.1
12½	860p	Lowe's 50c	12½	+¼	44c	-	1.9
16¼	10¾	Manuf. Hanover $7½	16½	-¼	$3.28	-	10.9
14¾	11	Merrill Lynch $1	13	-⅛	$1.00	-	3.9
24	19	Molex Inc	21¾	+¼	32c	-	-
21¼	16½	Morgan (JP) $2½	20¼	+¼	$1.50	-	4.0
40¼	32¾	NYNEX $1	36¼		$4.04	-	6.1
19¼	15	PHH	17¾	+¼	$1.08	-	3.4
266p	99p	Pacific Agr. ‡	250p	+2		-	-
10¼	757p	Pac Gas & Elect $5	861p	+18	$1.92	-	12.2
19¾	16¾	Pacificorp $3¼	19¼	+¼	$2.64	-	7.3
17	13¾	Pacific Telesis 10c	16¾	+¼	$1.76	-	5.8
17½	13¼	Pall Corp 25c	16½xd	-½	40c	-	1.3
42¾	34½	Pennzoil $3 1/3c	43	+½	$2.20	-	2.9
19¼	11¾	Premark Intl.	18	-1	32c	-	1.0
17¾	12½	Primerica $1	14½	-¼	$1.60	-	6.0
26¼	21¾	Quaker Oats $5	25¾	-¼	$1.00	-	2.2
29¾	23¾	RJR Nabisco Inc	26½	+¼	$1.92	-	4.0
25½	21	Rep NY Corpn $5	24½xd	+¼	$1.20	-	2.7
11¾	9¼	Rockwell Intl $1	11¼xd	+¼	72c	-	3.5
24¾	18¾	Sara Lee $1 1/3	21¼	+¼	$1.20	-	3.2
22	18	Southwestern Bell $1	21¾	-¼	$2.48	-	6.4
20½	11	Staley Continental‡	20½	.....	80c	-	2.2
33½	27	Sun Co. Inc. $1	32¼xd	-½	$3.00	-	5.1

Continued on next page

LONDON SHARE SERVICE

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

1988 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
30	15	Bond Media	29	—	—	—	—	—
242	170	Boosey & Hawkes	215	—	3.0	♦	—	♦
49	29	Border T.V.	31	—	11.6	2.4	6.0	9.0
410	286	Brent Walker 10p	409	-1	8.0	3.1	2.6	13.5
122	93	Do 6pc.Cv.Cm.Rd.Pf	127	—	6.6	—	6.6	—
321	202	Campari Int. 20p	319	+2	6.5	4.4	2.7	9.0
227	166	Castle Comms. 5p	225	—	17.0	2.8	4.3	15.7
287	161	Capital Radio 10p	274	—	16.0	2.7	2.9	17.0
568	447	Central TV	548	-1	22.0	2.5	5.4	10.1
146	115	Chrysalis	133	—	7.0	1.9	7.0	9.9
74	43	Cityvision 5p	67	-1	8.5	3.7	1.0	27.5
31	19	Classic Th'breds Int.20	31	—	—	—	—	—
73	49	Edenderry	63	—	Q24.6%	0.9	9.0	19.6
30	14	Entertain Prod 5p	27½	—	—	—	—	—
425	290	Fairline Boats 10p	405	—	19.0	4.7	3.0	9.5
152	120	First Leisure	147	+1	2.38	3.2	2.2	18.7
440	325	GWR Group 20p	435	-5	—	—	—	17.1
50	42	Grampian TVA 10p	45	—	2.5	2.6	7.4	6.9
40	26	Greenwich Comms.	35	+1	—	—	—	—
281	215	HTV Ord.	220	—	19.8	3.8	5.9	6.0
114	45	Hastinex A$0.25	111	-3	m06c	—	2.3	—
60	49	Juliana's Hldgs 2p	54	-1	2.85	1.4	7.0	11.8
41	32	Kenick 10p	37	—	11.0	2.4	3.6	14.7
177	122	LWT 5p	154	-1	5.7	2.9	4.9	9.4
374	183	Land Leisure 10p	373	-1	mC.7	0.3	0.3	—
118	68	Leisure Inv 10p	109	+1	gr1.45	2.2	2.1	36.9
115	67	Leisuretime Int 10p	93	—	—	—	—	—
307	235	Marina Dev. 50p	285	+5	♦	—	—	—
257	175	Mecca Leisure 10p	209	—	tg3.65	2.9	2.3	17.7
106	35	Medminster 10p	106	+2	tH2.57	2.5	3.4	15.3
403	315	Midsummer Leis	403	+3	14.0	3.1	1.3	26.9
310	200	Miss World 10p	310	—	6.0	2.6	3.4	15.1
42	32	Mountain Videos 50p	41	—	—	—	—	♦
22	17	Oakcorp Inc. R$0.5	22	—	Q2c	6.0	3.2	5.2
169	87	Orient Ex Hlds $0.125	110	-8	—	—	—	—
95	76	Owners Abroad 5p	90	—	2.1	1.9	3.1	22.9
293	228	Pavilion Leisure 10p	228	—	—	—	—	—

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p y	68	.....
Craig & Rose £1 y	625	.....
Finlay Pkg 5p y	78	.....
Holt (Jos) 25p y	£11¼	+¼

IRISH

Stock	Price	+ or -
Nat. 9¾% 84/89	£101	.....
9pc Cap Ln. 1996	£98¼	.....
Fin. 13% 97/02	£119	+¼
Arnotts y	370	.....
CPI Hldgs. y	116	.....
Carrol Inds. y	153	.....
Hall (R. & H.)	161	.....
Helton Hldgs. y	45	.....
Irish Ropes y	145	.....
Unidare y	400	.....

TRADITIONAL OPTIONS
3-month call rates

Industrials

Stock	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	38
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Stock	p
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Stock	p
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	48
Premier	7½
Shell	95
Ultramar	26

Mines

Stock	p
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25

*New time dealings may take place from 9.00 am two business days earlier.

Equities at post-Crash peak and long Gilts higher after US trade deficit news

THE NEWS of a substantially lower than expected US trade deficit for April, quickly followed by a surge in the dollar and a bumper opening on Wall Street, brought a rapid turn for the better on the London securities markets yesterday. Equities burst through to a new peak for the period since the Crash of October 1987, closing 27 points up on a welcome improvement in business levels. Long-dated Government bonds gained a full point, reaching their best levels since the end of April, although the near dates, restrained by the pound's fall, were little changed on the day.

Equities were led by the major exporting stocks, which responded quickly to the fall in sterling against the dollar. Glaxo, a major dollar earner, stood out strongly, and currency factors also drove Beecham, ICI, BOC, and Unilever ahead. The exception was BAT Industries, which fell in heavy trade following an adverse medical liability ruling in a US Federal court.

The FT-SE 100 Index, seven points down ahead of the trade figures announcement from across the Atlantic, closed a net 27.4 up at 1866.2, a significant move above the March 18 reading of 1855.5, the previous post-Crash peak and seen as an important chart resistance point. The Index stood at 2301.9 on the eve of the Crash in October '87.

Seaq turnover increased to 481.3m shares (320.8m on Monday). While much of the immediate gain in the market reflected price mark-ups by the market-makers, the Seaq total reflected the appearance of genuine investment buyers towards the end of the day.

Traders and analysts, while stressing that the market's advance was "very important", kept their enthusiasm under restraint. "The dollar is the key", commented Mr Roger Charlesworth at Chase Manhattan. "It has to continue its upward progress". An arbitrage dealer commented, "There has not been a great deal of change. But the climate feels much better".

The market was virtually at a standstill ahead of the US news, and waited cautiously for the response from the US dollar, and then from Wall Street, before breaking out for new ground. The seasonally adjusted US trade deficit of $9.89bn for April compared with UK expectations of around $12bn.

In bonds, there was a distinct shift in the yield curve as the "long longs" added just over a point but the short dates stayed put. Yields on UK long Gilts dipped to 9.27 per cent, the lowest since April 22, cheered by the fall to around 8.8 per cent in yields on US long bonds. Retail buyers entered the market at the close.

The credit markets consider themselves safe from a further hike in base rates while the pound is at its present levels against the German mark. However, expectations that domestic rates will be pushed higher again if the pound continues to fall kept buyers away from Gilts with maturities before 1991/92. Index-linked bonds were largely overlooked.

BAT Industries encountered heavy selling pressure following the first defeat for the US tobacco industry in more than 300 liability suits since the 1950s. A Federal court jury decided that the Liggett group along with two other US tobacco companies were partially liable for the death of a smoker who died of lung cancer in 1984.

BAT shares dropped from 439p to 418p before market fears were allayed and a strong recovery instigated by a statement from the UK group. It said "fears raised by Farmers group regarding tobacco product liability are groundless, and simply attempt to divert attention from the real issues. The narrow verdict against Liggett deals with specific advertisements run by Liggett in the 1950s and clearly has no impact on B & W, Batus, and the Farmers' acquisition"

The recovery in the stock was aided by the broad mid-afternoon surge in equity values after release of the US trade figures and, after turnover of 14m shares, the price closed a mere 3 down on balance at 436p. Rothmans International moved in sympathy, ending 8 down at 427p.

With crude oil prices still weakening, and no news from the Opec meeting in Vienna, where a roll-over of current output agreements seems the best hope, the major oil stocks were left out of the excitement in other dollar earning issues. Shell, 9 up at 1077p, saw little interest. BP closed unchanged at 70p on turnover of 6.2m, with the old a touch better at 269p with only 2.1m traded.

It was an active session for composite insurance stocks, which paid little heed to currency factors moving the rest of the market. General Accident came in for a bout of selling, the shares dipping 15 at worst before closing a net 5 off at 937p on rumours that the group was about to take NZI off Sir Ron Brierley's hands, a move which could involve a rights or similar fund-raising operation.

The strong feature in the sector was Guardian Royal Exchange, which jumped 17 to 933p as the shares, which have been left behind recently, attracted buyers on the basis of the high yield. County NatWest WoodMac has Guardian on its "buy" list.

Morgan Grenfell moved higher but ended off the top at 352p, a net 9 higher although market analysts expressed scepticism of recent bid stories, of which the latest hinted that a Swiss bank might be interested.

The clearing bank stocks closed firmly, Lloyds adding 10 to 309p and Barclays 5 to 415p, but business was moderate.

The Brewery majors benefited from a securities house "buy"recommendation and Allied-Lyons jumped 9 to 428p and Guinness gained 6 to 338p while Whitbread "A" advanced 7 to 311p and Scottish & Newcastle 12 to 326p. Regional issues were less fortunate and J.A.Devenish dropped 21 to 331p on disappointment with the static interim profits. Buckley's weakened, reflecting possible ramifications from the collapse of Barlow Clowes and settled 11 lower at 155p. But Distillery shares firmed behind Invergordon which shot 37 higher to 293p, after 309p, after a report that an unnamed predator was considering a bid. Hawker Siddeley, up 11 at 509p, holds a 65 per stake in the Scotch whisky distiller.

International stocks were given a strong boost as sterling reacted sharply in the wake of the US trade figures. The early advance on Wall Steet also inspired confidence and helped generate a little more buying interest than of late. Activity expanded in Glaxo (some 2.8m shares changed hands) with the shares closing 39 to the good at 972p. BOC were also noteworthy for a rise of 20 at 416p along with Beecham which put on 12 at 477p. A sizeable in-house order lifted Reckitt and Colman 24 to 908p.

Wellcome, however, failed to participate in the strong revival, closing only 5 to the good at 550p as a possible future rival for the group's anti/Aids drug Retrovir emerged from the Stockholm conferecence. London International, in contrast, featured a rise of 15 at 274p, as a number of anaylsts began to take a long-term bullish stance on prospects for the group's health and personal products.

Boots, the subject of speculative activity in the previous trading session, were again briskly traded (some 5.1m shares changed hands) before settling a penny firmer on the day at 223p. Pilkington, awaiting today's preliminary figures, nudged a few pence higher to 215p.

Overseas earner Cookson advanced 17 to 277p, while Reuters moved up sharply to record a rise of 22 at 538p with the aid of US demand.

Low and Bonar gained 6 to 245p on details of the sale of companies in its electronics division which are expected to raise around £35m. Satisfactory preliminary figures left BSS 10 to the good at 383p, while Metal Closures improved 3 to 213p on the announcement that Suter has increased its stake to just over 26 per cent. Toye, also reflecting stakeholding news, rose 10 to 230p.

Store shares showed more signs of life, particularly in the afternoon trading session. Interest in Marks and Spencer expanded noticeably after the recent lean spell, with the shares improving 3½ to 175p in a volume of some 5.6m. Dixons edged up 5 to 190p, while a persistent buyer left Sears 1¼ to the good at 120p. US influences, prompted a gain of 6 to 132p in Laura Ashley.

Colorvision jumped 25 to 300p on the bumper preliminary figures.

Emess featured brightly amid thoughts that the battle for control of French lighting group Holophane could be swinging its way and ended 26 up at 477p. Thorn EMI, whose recently revised increased offer was believed to have received approval from the French authorities but has since been challenged by market sources, also improved to close 5 dearer at 663p. Gossip of a break-up value of near £4 per share stimulated support of United Scientific, up 8 at 196p, while Farnell Electronic rose 6 to 167p after news of the negotiations for the purchase of two Low & Bonar companies for £8m cash. Applied Holographics rose 8 to 288p but Telecomputing fell 10 in a thin market to 113p.

Cable & Wireless led major Electricals higher with a late advance of 6 to 364p. Racal Electronics, marginally better at 313p, has re-arranged announcement of the annual results and details of the Vodafone flotation which will be made known before trading commences on the morning of June 28.

Tesco warmed to fresh institutional demand and rose 6 more to 155p but features eleswehere in the Food sector were few. Slightly better-than-expected annual profits nudged Northern Foods up to 297p while sharply increased full-year results, plus a bonus share issue, lifted Normans 2½ to 61½p.

The Building sector provided several noteworthy movements. British Dredging continued to attract considerable attention in the wake of news of Newarthill's increased holding (22.1 per cent) and advanced 11 to 169p. Bid hopes together with Newcastle development prpospects prompted further demand for S. Miller which closed 12 to the good at 168p.

Currency influences were largely responsible for a sharp gain in ICI which moved ahead strongly to close 32 to the good at 1058. Volume amounted to some 1.6m shares. Other Chemical issue also made a good showing, Laporte improving 9 to 423p and Yorkshire 11 to 235p.

The chaiman's forecast at yesterday's annual meeting of a good year for the company aroused demand for the shares of Pleasurama which rose 6 to 199p.

Jaguar rallied from the effects of the latest profits downgrading and, encouraged by sterling considerations, closed 11 up at 269p. Motor Distributors provided a couple of firm spots in Lookers, 5 better at 180p, and T.Cowie, similarly dearer at 115p, but Component leader Lucas Industries slipped to 533p; analysts are currently visiting the US aerospace operations of the last-named.

United Newspapers flared into prominence when demand, thought to be aroused by a broker's circular, found little stock available. Elsewhere Jefferson Smurfit jumped 14 to 460p but James Cropper reacted 5 to 198p on the warning that margins were under pressure. Agencies responded to currency influences and Saatchi & Saatchi regained 10 to 421p while WPP picked up 7 to 571p.

There were several highlights in an active property sector, with Peachey showing well on the back of continued bid speculation. The source of the bid remains unclear, but British Land continues to feature heavily in most rumours.

Elsewhere in the sector Mountiegh improved 10 to 185p following an announcement that it had found a buyer for the whole of its Paternoster complex in the City, which should be worth a tidy profit of some £50m.

Dawson International disclosed preliminary profits barely higher than the previous year and this fuelled speculation that the group was vulnerable to a takeover, bringing a close of 6 higher at 210p.

Investment Trusts were on the move after weeks of neglect, and American stocks showed best because of the improvement in the dollar. Highlight of the bunch was Alliance Trust up 12 to 810p and Fleming American up 5¼ to 116½p.

Among the overseas traders Inchcape continued its good run, benefiting from a small bear squeeze and strong investment interest from several large buyers to close 6½ up at 199p on a relatively healthy turnover of 2.4m. Otherwise there was little movement, save for Polly Peck, 4 better at 313p, Willis Group, 3 firmer at 115p, and Harrison Crosfield, 2 down to 618p and suffering, like much of the sector, from a weak sterling.

Business in Traded Options picked up smartly after the US trade figures were released. Overall, contracts totalled 39,722, with 30,547 calls and 9,175 puts. The oil sector was particularly active and the best of a good bunch was BP's 2,350 calls, of which 1,000 were contracts for July and October's 260s.

Traditional Options

- First dealings June 13
- Last dealings June 14
- Last declarations Sept 15
- For Settlement Sept 26

For rate indications see end of London Share Service

Interest in the Traditional option market expanded considerably yesterday. Stocks to attract money for the call included Abbey Life, Rock, Bryant Holdings, Tyndall Holdings, Charterhall, Normans Group, Camford Engineering, Far East Resources, Cambian Venture, Sovereign Oil, Courtaulds, Pleasurama, Owners Abroad, Morgan Grenfell and Regentcrest. Puts were arranged in Logitek and Harris Queensway, while double options were transacted in Sovereign Oil, S. Miller, Bryant Holdings, Tyndall Group and Cambian Venture.

FINANCIAL TIMES STOCK INDICES

	June 14	June 13	June 10	June 9	June 8	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	90.03	89.80	89.89	89.80	89.78	92.28	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.20	98.18	98.12	98.03	98.21	99.08	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1482.7	*1458.6	1468.2	1463.7	1455.2	1794.5	1482.7 (14/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	221.2	217.2	228.6	228.5	232.5	388.7	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.45	4.53	4.50	4.52	4.53	3.19				
Earnings Yld. % (full)	11.41	11.64	11.57	11.60	11.64	7.71				
P/E Ratio (net)(*)	10.68	10.48	10.54	10.51	10.51	15.99				
SEAQ Bargains (5pm)	25,773	25,040	25,790	27,359	22,647	52,118				
Equity Turnover (£m)	-	1304.26	1517.85	1101.55	1006.66	1715.75				
Equity Bargains	-	31,294	30,223	28,930	25,334	63,295				
Shares Traded (ml)	-	388.1	591.0	446.1	416.5	614.7				

S.E ACTIVITY

Indices	June.13	June.10
Gilt Edged Bargains	99.3	101.2
Equity Bargains	202.8	195.8
Equity Value	2636.2	3068.0
5-Day average		
Gilt Edged Bargains	104.9	105.9
Equity Bargains	188.0	183.6
Equity Value	2509.5	2356.0

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1459.2	1459.1	1456.3	1455.7	1455.7	1461.9	1476.7	1476.1

Day's High 1482.9 Day's low 1455.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil = 10.58. * Corrected figure.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (152).

AMERICANS (10) CANADIANS (3) BANKS (6) BREWERS (4) BUILDINGS (9) CHEMICALS (3) STORES (11) ELECTRICALS (11) ENGINEERING (3) FOODS (4) INDUSTRIALS (29) INSURANCE (5) LEISURE (6) MOTORS (1) NEWSPAPERS (3) PAPERS (5) PROPERTY (12) TEXTILES (1) TRUSTS (34) MINES (2).

NEW LOWS (12).

CANADIANS (1) Trans. Atlantic res., BUILDINGS (1) Johnstones Pts., STORES (1) Blanchards, ELECTRICALS (3) Atlantic Comptr., Questel, Telecomputing, INDUSTRIALS (3) Kenyon Secs., Lilleshall, Pavion Int'l., PAPERS (1) Hunterprint, PROPERTY (1) Ewart, MINES (1) Thorco Res. Inc.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	3,100	General Accident	1,000	Prudential	4,400
Allied-Lyons	1,500	General Elect.	5,000	Racal	1,800
Amstrad	2,400	Glaxo	2,900	Rank Org.	648
Argyll Group	1,400	Globe Investment	102	RMC	275
Assoc. Brit. Foods	247	Granada	683	[illegible]	[illegible]
BAA	3,700	Grand Met	1,200	[illegible]	[illegible]
BAT	13,800	GUS "A"	224	[illegible]	[illegible]
BET	1,200	Guardian R.E.	650	[illegible]	[illegible]
BICC	1,100	GKN	1,500	[illegible]	[illegible]
BOC	1,700	Guinness	1,700	[illegible]	[illegible]
BPB Inds	1,000	Hammerson	874	[illegible]	[illegible]
BTR	3,700	Hanson	12,900	[illegible]	[illegible]
Barclays	1,000	Hawker Siddeley	1,000	[illegible]	[illegible]
Bass	1,000	Hillsdown Holdings	327	[illegible]	[illegible]
Beecham	2,500	IMI	1,300	[illegible]	[illegible]
Blue Arrow	4,300	ICI	1,600	[illegible]	[illegible]
Blue Circle	359	Inchcape	2,400	[illegible]	[illegible]
Boots	5,200	Jaguar	3,700	[illegible]	[illegible]
Brit. Airways	4,300	Ladbroke	[illegible]	[illegible]	[illegible]
Brit. Aerospace	862	Land Securities	597	[illegible]	[illegible]
Brit. & Comm.	784	Laporte	[illegible]	[illegible]	[illegible]
British Gas	4,800	Legal & General	2,100	[illegible]	[illegible]
BP	2,200	Lloyds Bank	2,900	[illegible]	[illegible]
Brit. Telecom	2,200	LASMO	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	77	14	22
Corporations, Dominion and Foreign Bonds	13	6	34
Industrials	495	264	805
Financial and Properties	274	81	320
Oils	21	32	34
Plantations	2	[illegible]	[illegible]
Mines	54	41	96
Others	97	50	17
Totals	1,033	481	1,456

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday June 14 1988 (Figures in parentheses show number of stocks per section)

	Equity groups & sub-sections	Index No.
1	CAPITAL GOODS (208)	781.64
2	Building Materials (29)	1024.24
3	Contracting, Construction (35)	1595.54
4	Electricals (12)	2087.87
5	Electronics (31)	1642.65
6	Mechanical Engineering (56)	[illegible]
8	Metals and Metal Forming (8)	[illegible]
9	Motors (13)	[illegible]
10	Other Industrial Materials (24)	[illegible]
21	CONSUMER GROUP (187)	[illegible]
22	Brewers and Distillers (21)	[illegible]
25	Food Manufacturing (23)	[illegible]
26	Food Retailing (16)	[illegible]
27	Health and Household (12)	[illegible]
29	Leisure (30)	[illegible]
31	Packaging & Paper (17)	[illegible]
32	Publishing & Printing (16)	[illegible]
34	Stores (35)	[illegible]
35	Textiles (17)	[illegible]
40	OTHER GROUPS (92)	[illegible]
41	Agencies (19)	[illegible]
42	Chemicals (20)	[illegible]
43	Conglomerates (13)	[illegible]
45	Shipping and Transport (12)	[illegible]
47	Telephone Networks (2)	[illegible]
48	Miscellaneous (26)	[illegible]
49	INDUSTRIAL GROUP (487)	[illegible]
51	Oil & Gas (13)	[illegible]
59	500 SHARE INDEX (500)	[illegible]
61	FINANCIAL GROUP (122)	[illegible]
62	Banks (8)	[illegible]
65	Insurance (Life) (8)	[illegible]
66	Insurance (Composite) (7)	[illegible]
67	Insurance (Brokers) (7)	[illegible]
68	Merchant Banks (11)	[illegible]
69	Property (51)	[illegible]
70	Other Financial (30)	[illegible]
71	Investment Trusts (80)	[illegible]
81	Mining Finance (2)	[illegible]
91	Overseas Traders (8)	[illegible]
99	ALL-SHARE INDEX (712)	963.35
	FT-SE 100 SHARE INDEX ♦	1866.2

FIXED INTEREST

	PRICE INDICES	Tue Jun 14	Day's change %	Mon Jun 13	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.00	+0.02	122.97	-	5.93
2	5-15 years	141.48	+0.48	141.02	0.21	6.58
3	Over 15 years	150.53	+0.69	149.50	-	6.67
4	Irredeemables	167.28	+0.43	166.46	-	6.31
5	All stocks	137.89	+0.37	137.49	0.11	5.67
	Index-Linked					
6	5 years	127.95	+0.22	127.67	-	0.51
7	Over 5 years	121.19	+0.23	120.91	-	1.46
8	All stocks	121.57	+0.23	121.29	-	1.37
9	Debentures & Loans	119.48	+0.05	119.45	0.03	5.88
10	Preference	93.65	+0.23	93.43	-	3.22

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 14	Mon Jun 13	Year ago (approx.)
	British Government				
1	Low	5 years	8.78	8.81	7.92
2	Coupons	15 years	9.09	9.18	8.68
3		25 years	8.94	9.03	8.49
4	Medium	5 years	9.23	9.28	8.72
5	Coupons	15 years	9.29	9.37	8.92
6		25 years	9.11	9.18	8.72
7	High	5 years	9.34	9.37	8.93
8	Coupons	15 years	9.43	9.51	9.05
9		25 years	9.16	9.22	8.86
10	Irredeemables		9.00	9.09	8.75
	Index-Linked				
11	Inflation rate 5%	5yrs	2.68	2.76	2.51
12	Inflation rate 5%	Over 5 yrs	3.81	3.82	3.77
13	Inflation rate 10%	5yrs	1.76	1.83	2.14
14	Inflation rate 10%	Over 5 yrs	3.65	3.67	3.49
15	Debs & Loans	5 years	10.24	10.26	9.84
16		15 years	10.59	10.60	9.93
17		25 years	10.62	10.62	9.97
18	Preference		9.57	9.59	10.11

♥Opening index 1834.9; 10 am 1835.4; 11 am 1832.6; Noon 1831.9; 1 pm 1832.3; 2 pm 1841.1; 3 pm 1858.5; 3.30 pm 1858.5; 4 pm 1858.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*422)	390	40	53	62	4	9	13
	420	18	32	42	13	19	26
	460	6	16	26	40	44	48
Brit. Airways (*152)	140	16	23	26	2½	5	8
	160	4½	12	15	12	15	20

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
LASMO (*455)	390	78	95	110	8	17	27
	420	54	75	95	17	31	40
	460	29	49	67	35	50	55
P & O. (*601)	550	67	75	92	8	13	22
	600	30	47	62	18	35	42
	650	10	25	-	55	67	-

June 14 Total Contracts 39,722 Calls 30,547 Puts 9,175 FT-SE Index Calls 3448 Puts 2087 *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY (continued) | ITALY | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | SWEDEN | JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | SINGAPORE

[illegible]

CANADA

TORONTO

2pm Prices June 14

[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices June 14

Continued from page 43

Stock	Div.	Sales 100s	High	Low	Last	Chng
RoadSv	1.10	23 488	30	29½	29⅞	+ ⅛
RbtHll s		27 1	19½	19½	19½	
RochCS	.38	11 280	13⅛	12⅞	13	+ ⅛
RsvltFd	.10e	4 61	9⅞	9⅝	9⅞	+ ⅛
RoseB	.16a	10 41	9⅛	9	9	+ ⅛
Rosptch		22 10	19½	19½	19½	+ ⅛
RossStr		11 168	6½	6⅜	6⅜	
Rouse	.52	65 368	22½	22	22	
Roylpr s		25 39	3⅛	3	3⅛	+ ⅛
RyanF		17 2798	5⅞	5½	5⅝	+ ⅛
— S-S —						
SCI Sys		15 4570	12¾	12½	12⅝	+ ⅛
SEI s	.05e	21 930	19	18½	18½	− ⅛
SHL Sy s		2099	9	8¾	8⅞	+ ⅛
StaStBo	.48	10 1430	23⅞	23⅝	23⅝	+ ⅜
StwBc s	.80	11 x23	20¼	20	20	− ¼
SteelT s		19 435	16½	15¾	16	− ½
StewStv		8 723	27¼	26¾	27⅛	+ ⅛
Stwlnl	.76	22 57	16⅝	16½	16⅝	+ ⅛
Stratus		29 2630	31	30½	30½	
StrwbCl	1.10b	9 320	33	32½	32½	− ⅛
StrucDy		24 106	17¾	17¼	17¼	
Stryker		25 117	22	21¾	21¾	
StudL vt		321	78⅜	76	76⅝	+ 1⅛
Suberu		776	5½	5¼	5¼	
SuffFin	.20	68	8½	8⅜	8½	+ ⅛
Sungph		700	13	12½	13	
Sunncrp	.40	10 151	21½	21¼	21¼	
UHltCr		312	4⅛	3⅞	4	+ ⅛
UtdSvrs	.72	6 42	19	18¾	19	+ ⅛
US Bcp	1	9 223	24	23⅞	24	
US HltC	.18	1448	6¾	6⅜	6⅝	+ ⅛
US Trst	1.16	13 124	42	41½	41½	− ⅜
UStatn	.28	16 2788	19¼	18½	19¼	+ ½
UnTelev		43 75	30¼	30¼	30¼	− ¼
UnivFr	.12	12 204	15¾	15¼	15¾	+ ¼
UnvHlt		208 1128	6⅜	6⅛	6¼	− ⅛
UnwSvg	.40	79 78	22⅛	22	22	
— V-V —						
V Band	1e	4 249	13¾	13¼	13½	+ ⅛
VLSI		45 1904	10¼	10	10	− ⅛
VM Sft		28 729	14¼	13¾	14⅛	+ ⅜
Worthg	.44	18 2799	22⅜	21⅞	22	+ ⅝
Wyman	.80	13 278	15⅛	15	15¼	− ⅛
Wyse		11 2608	21¼	20⅛	20⅜	− ⅜
— X-Y-Z —						
XL Dt s		18 690	27¼	27	27	− ½
XOMA		647	12⅝	12¼	12⅜	+ ¼
X-Rite	.08	17 117	26	24¾	25½	
Xicor		20 2397	9¼	8¾	8⅞	
Xidex		3293	6⅜	5⅞	5½	
Xylogic		8 155	9½	9	9½	
Xyvan		443	8	7⅝	7⅞	
YlowF s	.62	19 445	29¼	28⅜	29¼	+ ⅜
Zondvn		33 218	9⅛	8⅞	8⅞	− ⅛

[illegible]

INDICES

NEW YORK — DOW JONES

	Jun 13	Jun 10	Jun 9	Jun 8	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2099.4	2101.71	2093.35	2102.95	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.08	88.08	87.00	87.83	91.25 (3/3)	86.12 (4/1)	–	–
Transport	873.36	877.39	872.61	873.05	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	179.35	179.11	178.88	180.30	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2114.15 (2123.58) Low 2084.64 (2084.82)

STANDARD AND POOR'S	Jun 13	Jun 10	Jun 9	Jun 8	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	272.14	271.16	270.20	271.52	272.24 (13/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	313.92	313.62	312.47	313.91	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.49	24.47	24.34	24.40	24.49 (13/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.88	152.89	152.36	152.87	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	307.9	309.33	308.62	306.23	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	386.43	386.25	384.60	383.41	386.43 (13/6)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	June 10	Jun 3	May 20	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.56	3.68	2.83

	Jun 8	Jun 1	May 25	year ago (approx.)
S & P Industrial div. yield	3.08	3.10	3.24	2.52
S & P P/E ratio	14.21	14.33	13.29	23.17

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

AUSTRALIA | AUSTRIA | BELGIUM | DENMARK | FINLAND | FRANCE | GERMANY | HONG KONG | ITALY | JAPAN | NETHERLANDS | NORWAY | SINGAPORE | SOUTH AFRICA | SPAIN | SWEDEN | SWITZERLAND | WORLD

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 3% 1991	£89¼	+	[illegible]
Treas. 11¾% '03-07	£119⅞	+	[illegible]
BOC	416	+	30
Beecham	477	+	12
Colorvision	300	+	25
Cookson	277	+	17
Emess	477	+	26
Glaxo	972	+	39
GRE	933	+	17
Hammerson	660	+	13
Hawker Siddeley	509	+	11
Invergordon	293	+	37
Jaguar	269	+	11
London Intl.	274	+	15
Morgan Grenfell	352	+	9
Peachey Prop.	514	+	10
P & O. Defd.	604	+	14
Regalian Prop	209	+	12
Reuters B	538	+	22
Saatchi & Saatchi	421	+	10
Smurfit (Jeff.)	460	+	14
Tesco	155	+	6
Utd. Newspapers	427	+	14
Utd. Scientific	195	+	8

FALLS

Buckley's Brewery	155	−	11
Cropper (J)	196	−	5
Devenish (J.A.)	331	−	21
Gen. Accident	937	−	5
Rothmans B	427	−	8

TOKYO - Most Active Stocks
Tuesday, 14 June, 1988

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	65.21m	487	+13
Nippon Steel	58.73m	529	+14
NKK	56.46m	520	+8
Kawasaki Steel	49.26m	549	+15
Mitsubishi Elec	30.27m	822	+6
Kawasaki Heavy Ind	26.83m	538	+13
Sumitomo Metal	26.77m	471	+12
Mitsubishi Heavy Ind	24.00m	805	+6
Japan Steel Works	23.19m	605	-7
Sumitomo Chem	21.10m	1,090	+20

Closing Prices June 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
26	14	AAR s	.36	1.5	20	1076	25	24	24¼	+1⅛
12⅛	8¾	ACMIn n	1.09e	9.4		849	11⅝	11½	11⅝	
12⅛	10¾	ACMSc n	1.26	11.		488	11⅜	11¼	11¼	
10⅛	10	ACMSp n				440	10	10	10	
27½	10½	AGS			21	2187	d27¼	27⅜	27½	
7⅞	2⅞	AMCA				881	4	3⅞	4	+ ⅛
8⅝	3¼	AM Intl				1082	3⅝	3⅜	3⅝	– ⅛
29⅞	17	AM Int pf	2	11.		258	19⅛	18⅝	18⅞	– ⅜
65½	28¾	AMR			12	11116	48⅝	47¾	48¼	+1
11⅝	5¾	ARX			12	1082	9½	8⅞	9	+ ⅛
72⅞	40⅛	ASA	3	6.7		478	44⅞	44¼	44½	– ⅛
22⅞	9½	AVX			13	84	17¾	17⅜	17⅜	– ⅜
66⅞	40	AbtLab	1.20	2.7	16	6880	46	45	45⅛	+ ⅛
28	15⅜	AbitiPr g	1			83	18⅞	18⅝	18⅝	– ⅛
16¾	8½	AcmeC	.40	3.6		468	11⅜	11	11⅛	+ ⅛
10½	6⅝	AcmeE	.32b	4.7	21	12	7	6⅞	6⅞	
20	14⅛	AdaEx	3.05e	19.		58	16	15¾	15⅞	+ ⅛
19¼	6⅞	AdamMl	.24	1.5	13	39	15½	15½	15½	
24⅞	7½	AMD				4829	16⅝	16	16⅛	+ ⅛
56¾	29¼	AMD pf	3	7.0		215	42¾	42¼	42⅝	+ ⅜
11⅞	4⅝	Adobe			13	1277	8⅛	8	8	
20⅛	16¼	Adob pf	1.84	10.		13	18	17⅞	17⅞	– ¼
13⅛	6⅞	Advest	.12	1.8	9	91	7	6⅞	6⅞	
64¼	39½	AetnLf	2.76	6.1	8	2655	45½	44⅝	45	+ ¼
83½	41	AffilPub	.40b	.7	50	368	60½	58¼	58¾	+ ¾
23¾	13	Ahmans	.88	5.3	11	4382	17¼	16½	16¾	
4⅝	1¾	Aileen				76	3	3	3	
53⅞	29	AirPrd	1	1.9	15	4751	53½	49⅞	51⅝	+1¾
34½	11⅛	AirbFrt	.60	3.2	26	86	19¼	18⅝	19	

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Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
71¼	34½	RJR Nb	1.92	4.1	9	16406	48½	46⅝	47	−1
123	113	RJR pf	11.50	10.		4	113½	113	113	
15½	7	RLI Cp	.32	3.3	5	28	9⅝	9½	9⅝	
7	3	RPC				69	5⅝	5½	5⅝	+ ⅛
7⅛	13-32	Radice				71	⅝	½	½	
94	57⅞	RalsPur	1.50	1.9	14	1378	78½	77½	77⅞	+ ⅛
9⅞	4	Ramad				2527	7⅞	7⅜	7⅞	
6⅞	3⅛	RangrO			31	1314	6	5⅞	5⅞	
54¾	29⅞	Raycm	s.24	.5	16	1705	48⅛	47⅞	48	+ ⅜
20¼	8⅞	RJamFn	.16	1.6	11	x5	10⅛	10⅛	10⅛	
22¾	14⅝	Rayonr	2.60	13.	8	67	20⅝	19⅞	20⅛	+ ⅛
13	6	Raytch	.05e	1.0	71	56	5⅛	5	5	− ⅛
64⅞	57⅛	Raythn	2	3.0	10	1213	66	65½	65⅞	+ ⅞
7½	1⅛	ReadBt				680	1½	1⅜	1½	
13⅞	3¼	RdBat pf				12	4⅞	4⅛	4⅛	
10	2¼	RdBt pfA				20	2⅞	2⅞	2⅛	− ⅛
20½	14⅛	REIT	1.34	8.1		28	16⅝	16½	16½	
21⅞	6⅛	RecnEq			11	1456	7⅞	6⅞	6⅞	+ ⅛
12	5⅛	Redmn	.36	5.0		225	7½	7⅜	7⅛	
23	7	Rebok s	.30	2.0	10	8126	15⅛	14⅞	15	+ ⅛
16	8⅛	Reece	.10e	.9	17	10	11⅛	11⅛	11⅛	+ ⅛
2½	7-16	Regal				11	7-16	7-16	7-16	−1-32
7⅞	4⅛	RegiFn	.25e	3.8		260	6½	6⅜	6½	+ ⅛
17⅞	11	ReichTg	1.76	11.	10	6	15⅝	15⅝	15⅝	+ ⅛
11½	4½	RelGrp	.24	4.1	4	85	6	5⅞	5⅞	− ⅛
6⅝	4⅞	RepGyp	.36	6.1	27	20	5⅞	5⅝	5⅞	+ ⅛
55⅛	36⅛	RepNY	1.20	2.7	262	154	44⅞	43⅞	44½	+ ½
53⅛	50⅞	RNY pfB	2.88e	5.5		25	51½	51⅜	51⅛	− ⅛
61⅛	28	ReyMtl	.80	1.6	11	5088	51⅛	50	50½	+ ½
22¾	8⅛	Rhodes	.40	1.8	16	446	22	21⅞	22	+ ⅜
48¾	28½	RiteAid	.74	2.0	16	1368	37½	36⅞	36⅞	+ ⅛
1⅞	½	RvrOak				65	⅝	⅝	⅝	
20⅛	11½	Robtsn			4	63	14½	14⅛	14⅛	
29⅝	12⅛	vjRobins			13	16	25⅛	25	25⅛	
18⅞	14⅛	RochG	1.50	8.5	11	128	17⅞	17½	17⅞	+ ⅛
49⅞	37	RochTl	2.72	6.8	14	58	40⅞	40⅛	40½	
13⅛	5⅝	Rckwy	.36	3.9	13	351	9⅜	8⅞	9⅛	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17½	7	WyleL s	.28	2.7	16	397	10½	10⅜	10½	
30⅞	14½	Wynns	.60	2.9	53	81	21	21	21	
		− X − Y − Z −								
65	50	Xerox	3	5.4	10	4615	55⅞	54½	55⅛	+ ⅞
35⅛	19½	XTRA	.64	2.0	16	364	32⅛	30⅝	32⅛	+ 1⅛
29⅛	19½	XTRA pf	1.94	7.1		55	27½	27½	27½	+ ⅝
49⅞	17½	Yorkin			16	336	u49⅛	48⅛	48⅞	− ⅜
7⅛	2⅛	Zapata				139	2⅞	2⅞	2⅞	
37	13½	Zayre	.40	1.9	11	2195	21⅞	20⅝	20⅞	− ⅛
16⅛	8⅞	Zemex	.40	3.2	16	50	12⅝	12⅝	12⅝	
33⅞	10	ZenithE				3255	25½	24⅛	24⅞	− ½
10⅞	10	Zenln n	.06e	.6		204	10⅛	10	10⅛	
11½	1	vjZenLb				342	1⅛	1	1	− ⅛
24	13½	ZenNtl	.80b	3.4	11	291	23⅞	23½	23⅝	+ ⅛
20⅞	11⅞	Zero	.40	2.6	14	177	15⅛	14⅞	15⅛	+ ⅜
30⅞	15	Zurnin s	.88	3.1	14	121	22	21⅝	21⅞	+ ⅛
11	7⅝	Zweig	1.34e	12.		1348	u11⅛	10⅞	11⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing Prices June 14

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OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 14

Continued on Page 41

AMERICA

Encouraging deficit figures lift Dow to post-crash high

Wall Street

EQUITIES surged yesterday in response to a set of very encouraging US trade figures in April, taking the Dow Jones Industrial Average to new post-crash highs, *writes Janet Bush in New York.*

The Dow index drifted below its highs but its close was still the best since the October crash, surpassing the previous peak of 2,110.08 on April 13. It closed 25.07 points higher at 2,124.47. After the third lowest volume this year on Monday, activity picked up sharply and more than 220m shares were traded.

US Treasury bonds were the star performers with prices jumping by more than 2 full points. In late trading, the Treasury's benchmark long bond was quoted 2¼ point higher to yield 8.811 per cent.

This is the lowest yield on the Treasury's bellwether 30-year bond since April 13.

The merchandise trade deficit fell to a seasonally adjusted $9.89bn in April compared with a revised $11.7bn shortfall in March. Without seasonal adjustment, the deficit widened to $9.78bn in April from $9.53bn.

Markets were impressed by the fall in imports. The decline was concentrated in the auto and consumer goods sectors, providing evidence of a weakening in domestic demand, which has always been a prerequisite of a substantial improvement in the trade balance.

The bond market was particularly happy that the fall in imports came at the same time as a small decline in exports, suggesting that pressures on capacity, which had lain behind some of the fears about higher inflation, may have eased.

In both the equity and bond markets, traders reported genuine institutional buying, in stark contrast to last week which saw both markets rally on mostly professional activity.

While equities pulled back somewhat from their initial gains in response to the data, bonds kept on rising steadily. At one point, the Dow Jones Industrial Average was posting gains of more than 40 points.

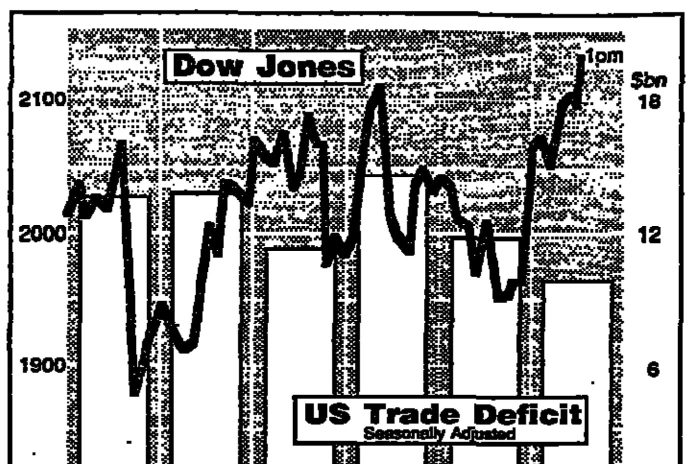
While the trade figures were plainly good for all markets, there was nevertheless a feeling that the sharp rally in bonds at least could not be sustained. Economists said there continues to be healthy growth, but there are still concerns about capacity usage, which is at high levels, and rising commodity prices.

In the equity market, blue chip issues were sharply higher. International Business Machines rose $1⅝ to $118⅝. General Electric added $⅞ to $43⅞, American Telephone & Telegraph put on $⅛ to $27⅞ and Coca-Cola gained $⅛ to $39.

Texaco lost an early gain to close $⅛ lower at $50⅛. Bear Stearns executed a huge block trade in 7.7m Texaco shares representing a 3.2 per cent stake in the company. There was speculation that Mr Carl Icahn, who already owns a 14.8 per cent stake, may have been the buyer.

A sector which bucked the general upward trend was tobacco stocks. They were under pressure after news of the industry's first defeat in a liability case. Liggett Group was found partially liable for the death of a woman from lung cancer. Its stock slid $⅛ to $7⅞.

Philip Morris fell $1⅞ to $93⅞, RJR Nabisco dropped $1 to $47 while American Brands held up better, quoted $⅛ higher at $45⅞.



Canada

THE US trade figures buoyed stocks in Toronto where the composite index gained 19.51 to 3,396.15.

However, turnover was moderate at 27m shares.

Low volumes reveal May's nervous tone

BY HILARY DE BOERR

TURNOVER continued to fall on most leading European bourses last month and several stock exchanges turned in their worst monthly performance this year in terms of trading value, with only Paris seeing improved activity.

Concern over the US trade figures for March dragged European volumes down for the second consecutive month as fears of higher interest rates and inflation unnerved investors after the deficit turned out to be much lower than expected.

The picture so far this month is much better, with turnover picking up right across Europe as the international economic scene improves, fears of interest rate rises recede and the dollar strengthens.

Italy and the Netherlands were the worst hit markets last month, falling 23.5 per cent and 20.9 per cent respectively in local currency terms, according to figures from County NatWest WoodMac, the UK broker.

In Italy, foreign and domestic investors retreated to the sidelines amid concern over the budget deficit and fears that government plans to tackle it were insufficient. The dearth of takeover speculation also took its toll, and buying interest all but dried up, with the Milan bourse falling 7 per cent over the month, according to the FT-Actuaries World Indices.

Both the Netherlands and Zurich – where turnover fell 12.9 per cent – are particularly susceptible to events on Wall Street, and these two bourses recorded their lowest monthly volumes this year.

Frankfurt failed to attract significant demand as the spectre of higher interest rates hung over the market and investors refused to react to any news other than bad. Volumes fell by 4.5 per cent on the month and share prices moved in a narrow trading range.

Turnover in Brussels was 14.7 per cent lower than in April as institutional investors preferred to put their money into bonds and other instruments, and private investors held on to equities to take advantage of dividends paid in May and June. The market, which saw dizzy activity during the protracted battle for control of Société Générale de Belgique in February and March, produced volumes at half last year's average monthly level.

Paris meanwhile took centre stage in volume terms, with turnover climbing for the second month in a row. A favourable reaction to the presidential election helped boost buying, along with a realisation that the market was undervalued compared with others in Europe. Takeover speculation and a small cut in interest rates also helped, and the bourse saw renewed foreign buying after a long absence. Volumes rose 5.8 per cent last month over April.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	May '88	Apr '88	Mar '88	Feb '88	Jan '88	mnth av'87
Belgium	33.2	38.9	93.2	197.0	59.8	65.7
France	55.0	52.0	48.2	67.2	48.4	85.3
Germany	31.8	33.3	51.3	46.7	29.6	56.8
Italy	9,704.0	12,692.0	22,424.0	15,198.0	8,398.0	11,264.0
Netherlands	7.2	9.1	12.8	8.8	8.0	12.7
Spain	418.0	429.7	555.4	329.4	389.2	610.1
Switzerland	12.1	13.9	18.2	20.7	14.6	21.2

Volumes represent purchases and sales. Germany'87 data adjusted to eliminate interbank trading. Swiss data estimated from official Zurich turnover of equities and bonds; Italy data adjusted to include off-market trading. Source:County NatWest WoodMac

EUROPE

Paris and Amsterdam rally after better US trade news

NEWS OF a sharply narrower US trade deficit gave a boost to European markets that were still open, notably Paris and Amsterdam. Other bourses were mixed, but Helsinki reached a fresh peak, *writes Our Markets Staff.*

PARIS proved something of a surprise to analysts, with share prices rallying despite the political uncertainty caused by the election deadlock and gloomy news from the stock exchange.

The Indicateur de Tendance recovered from early falls to close up 0.60 at 129.50 on news of the improved US trade figures. Volume was described as reasonable by one trader, who said: "The market looked as if it was going to tread water...now it looks very much on the up and up."

Investors appeared to shrug off the resignation of Mr Xavier Dupont, the stock exchange chairman, in the wake of the FFr500m losses suffered last year on the bourse's reserve fund, as well as news that members of the stock exchange association would be asked to top up the fund.

There was good news late in the session from Valeo, the car components maker, which reported its profits more than doubled to about FFr500m in the first half. The share price rose FFr10 to FFr480.

Other gains included Club Med, up FFr10 at FFr460, and Perrier, FFr28 ahead at FFr891. Cie du Midi recovered to close at FFr1,523, up FFr13, after its sharp fall on Monday.

AMSTERDAM took off after an uninspiring start, responding favourably to the US trade figures and their implication of steadier dollar earnings for Dutch multinationals. At the close the all-share index stood at 89.8, up 1.3 from Monday, in only slightly higher turnover.

Philips rose 60 cents to Fl 30.70 on news it was taking full control of audiotape producer PD Magnetics, a joint venture with US company Dupont. Elsevier rose Fl 1 to Fl 57.70 after announcing the takeover of US printer Springhouse for an undisclosed amount.

HELSINKI reached another record in turnover of FM300m, the heaviest this year. The Unitas all-share index rose 4.8 to 717.4 – overtaking the previous record of 714.6 set on June 6.

Forestry group Kymmene gained FM4 to FM129 after announcing a rise in four-month profits the previous day.

FRANKFURT had another quiet session, with shares closing mixed in advance of the US trade figures. The FAZ index eased 0.95 to 468.79.

Feldmühle Nobel was again the main feature, falling DM35 to DM290.20 after takeover rumours were dashed on Monday when members of the Flick family abandoned their planned bid.

Most of the major blue chips eased, but Deutsche Bank managed to edge up 10 pfg to DM430. Preussag, the metals, construction, energy and engineering group, eased DM1.50 to DM166.50 after announcing higher first quarter profits.

Bonds again moved up about 20 pfg in quiet trading, with the yield on the latest 6½ per cent 1998 federal bond at 6.51 per cent against 6.54 per cent on Monday.

ZURICH closed slightly higher before the US trade figures came out. The all-share index gained 1.73 to 854.53 in improved turnover, with banks leading the way.

UBS bearers rose SFr70 to SFr3,240, Swiss Bank Corp put on SFr2 to SFr355, and Crédit Suisse rose SFr20 to SFr2,520.

MILAN was dominated by technical trading in advance of the end of account today and by the close the MIB index had slipped 0.7 percentage points to 991. Analysts pointed out that several blue chips go ex-dividend tomorrow, which could dampen the usually active start to the new account.

In generally moderate turnover, the highlight was Montedison which gained L44 to L1,649 as brokers reported persistent buying rumoured to be on behalf of foreign investors. Dow Chemical is expected to announce that it has added to its 5 per cent stake and Montedison shares continued to rise in after hours trading, reaching L1,680 before L1,653. Ferruzzi Agricola also rose strongly, closing up L68 at L1,410.

Other stocks retreated, among them Cir, which gave up L96 to L5,255 after it announced a SFr100m bond issue via its international subsidiary.

MADRID was hit by profit-taking after Monday's gains and the general index eased 1.04 points to close at 299.70. Analysts said underlying sentiment remained strong and anticipated a renewed breakthrough of the psychologically important 300 level.

The announcement by Cofir, the Spanish arm of Mr Carlo De Benedetti's European holding company, Cerus, that it will float 15 per cent of its equity encouraged speculation that Mr De Benedetti is planning further acquisitions, possibly in the foods sector or the industrial area.

Motors were stronger, with Iberica, the Nissan subsidiary, up 13.5 percentage points to 321.5 per cent of par.

BRUSSELS closed slightly easier, with the cash market index off 12.82 at 4,875.0 in light turnover.

Petrofina saw some trading but closed unchanged at BFr12,200. Société Générale gave up BFr110 to BFr4,640 amid continuing speculation over the company's future. The annual general meeting is scheduled for next Tuesday.

STOCKHOLM began in uneasy fashion but managed to shake off its uncertain mood and closed slightly higher. The US data were released too late to affect the market.

Trading was moderate, with SKr259m worth of shares changing hands.

Volvo moved up SKr4 to SKr334. The company's aircraft engine division said it would benefit to the tune of SKr250m from Scandinavian Airlines System's decision to buy Pratt and Whitney engines, for which Volvo supplies components.

OSLO was encouraged by news that Opec had extended its output agreement, which could help to steady the price of Norway's North Sea oil. The all-share index gained 1.78 to 293.24 after a moderately active day.

London

A QUIET and cautious morning was transformed by the US trade figures and the FT-SE 100 index jumped from a 7 point decline to a new post-crash high, putting on 27.4 points to 1,866.2. Turnover improved to 481m shares.

International stocks led the recovery, with ICI, Glaxo, Beecham, BOC and Unilever all rising.

BAT Industries and Rothmans fell in heavy trading after the Liggett tobacco ruling in the US, but losses were limited by a statement from BAT.

ASIA

Surge in steels helps Nikkei recover

Tokyo

A LATE buying surge held the Nikkei average above the 28,000 level in Tokyo yesterday after an earlier retreat as investors moved to the sidelines for the imminent release of the US April trade figures, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei, which reached a day's high of 28,085.81 shortly after the opening, hit a low of 27,926.24 at the beginning of the afternoon session. But it recovered to close 25.26 higher at 28,061.80.

Turnover remained thin at 930m shares compared with Monday's 939m. Gains led losses by 432 to 420, with 203 issues unchanged.

Institutional investors continued to be cautious and individuals also slowed down their pace of buying. But small-lot purchases of steels in the mid-afternoon session helped animate large-capitalisation and high-technology stocks, pushing up the Nikkei average.

Officials at major brokerage houses said there was no specific incentive behind the rally. Investors were apparently encouraged by the recovery of steel share prices, which had been falling in recent sessions. Optimism grew that the US trade figures would have no major negative impact, the officials added.

Among large-capital issues, Kobe Steel lost Y14 to Y460 at one stage, before closing Y13 higher at Y487 on the day's most active trading of 65.21m shares. Nippon Steel ended Y14 higher at Y529, NKK was up Y8 at Y520 and Kawasaki Steel rose Y15 to Y549 after falls of between Y4 and Y12.

Large-capital chemicals also firmed, with Sumitomo Chemical adding Y20 to Y1,090.

Among high-tech issues, Mitsubishi Electric, which dropped Y7 briefly, finished Y6 higher at Y822 and Toshiba rose Y10 to Y925. Matsushita Electric Industrial and NEC climbed Y10 each to Y2,610 and Y2,220 respectively, while Sony was up Y30 at Y5,170.

Rumours of heavy purchases by a group of speculators swelled buying of Iwatsu Electric. It chalked up a daily maximum allowable gain of Y200 to Y1,440. Prima Meat Packers drew speculators' interest with rumours that its second largest shareholder, Oscar Mayer, would sell its holdings in the company. The share jumped Y100, a daily limit increase, to Y907 and then finished Y78 higher at Y885.

Ajinomoto, which announced plans to apply to the US Food and Drug Administration for clinical tests of its letinan anti-cancer agent as a drug to treat AIDS, registered a Y30 increase to Y3,480.

Bond prices continued to decline due to afternoon selling by major dealers amounting to several tens of billions of yen, apparently for position adjustment. The yield on the 5.0 per cent government bond maturing in December 1997 rose from 4.615 per cent on Monday to 4.660 per cent.

Prices on the Osaka Securities Exchange seesawed, and the OSE stock average finished 26.91 higher at 27,853.84. Turnover increased by 2.1m shares to 101m.

Continued speculative interest pushed up Araya Industrial, the bicycle parts manufacturer, by Y40 to Y1,510 for a two-day gain of Y110, while Keihanshin Real Estate rallied Y50 to Y1,090. Teijin Seiki, the machinery and aircraft parts maker, fell Y60 to Y1,120 on profit-taking after Monday's Y50 gain.

Australia

THE LACKLUSTRE outlook for bullion and commodity prices led the market lower for the fifth consecutive session and although the All Ordinaries index climbed off its lows it ended 17.1 weaker than on Friday at 1,569.5. The market was closed on Monday for a holiday.

Investors were worried by the weekend slump in gold prices and by a perception that the recent improvement in commodity prices was coming to an end. There was also widespread squaring of positions before yesterday's US trade figures. Persistent selling meant falls led rises by around two to one and most blue chip industrials followed the downward lead of gold stocks.

Among leaders BHP fell 14 cents to A$8.50, Adsteam gave up 20 cents to A$6.60 and CRA lost 16 cents to A$8.50. Banks closed lower on moderate turnovers, while Woolworths lost 9 cents to A$3.30.

Hong Kong

THE MARKET faltered as the index approached its post-crash high and late profit-taking trimmed early gains. At the close, the Hang Seng index had risen 25.28 to 2,672.70.

Turnover was a heavy HK$1.6bn, down from HK$1.83bn on Friday. The market was closed yesterday for a holiday.

Before noon the index was up 33 points at 2,680, but it fell back on profit-taking as it neared the post-crash high of 2,684.13 achieved in April. The market has risen 200 points over the last two weeks and investors were anxious to hedge their bets.

Blue chips and property companies led the rises. Jardine Matheson rose 40 cents to HK$13.20 and Hutchison put on 30 cents to HK$9.20. Shares in Sing Tao were unexpectedly suspended and brokers were uncertain when they would resume trading.

Singapore

EARLY losses sent the Straits Times industrial index down 3.98 points at noon, but news of the recovery in Tokyo boosted sentiment and the index closed marginally higher at 1,045.3, a gain of 2.56.

Prices were easy in early dealings, but the return of speculative buyers in the afternoon *helped to erase losses. Trading* was fairly active. Turnover fell to 45m shares from 46m on Monday and gains led losses by 103 to 62.

Among active stocks, Industrial Oxygen rose 7 cents to 88 cents with 2.6m shares changing hands.

SOUTH AFRICA

A DROP in the bullion price pushed Johannesburg gold stocks lower yesterday. The gold bullion fall followed the release of the surprisingly low US trade deficit figure and the subsequent rise of the dollar.

Vaal Reefs lost R2 to R263 and Driefontein sank 50 cents to R32. Diamond stock De Beers was unchanged at R35.50.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 14 1988					MONDAY JUNE 13 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	141.05	−2.2	117.15	117.64	3.80	144.22	117.71	119.04	145.74	91.16	136.93
Austria (16)	86.57	−1.2	71.90	78.55	2.61	87.59	71.49	78.50	98.18	84.35	86.45
Belgium (63)	122.44	−1.1	101.69	110.66	4.55	123.84	101.07	110.70	139.89	99.14	116.81
Canada (125)	125.39	+0.6	104.15	110.59	3.07	124.62	101.71	110.18	125.49	107.06	126.07
Denmark (39)	131.25	−1.1	109.01	118.26	2.46	132.68	108.29	118.33	132.72	111.42	120.11
Finland (25)	139.53	+1.3	115.89	120.73	1.74	137.79	112.46	118.39	139.53	106.78	–
France (128)	97.38	−0.5	80.88	89.97	3.60	97.82	79.84	89.38	99.62	72.77	109.76
West Germany (99)	77.09	−1.5	64.03	69.99	2.65	78.28	63.89	70.20	80.79	67.78	92.83
Hong Kong (46)	107.49	+1.1	89.28	107.68	4.25	106.37	86.81	106.64	107.49	84.90	125.49
Ireland (18)	138.47	−0.2	115.01	127.23	3.73	138.81	113.29	126.10	138.81	104.60	128.20
Italy (102)	69.80	−1.7	57.98	67.56	2.97	71.03	57.98	68.01	81.74	62.99	101.64
Japan (456)	173.50	−0.7	144.10	138.62	0.52	174.76	142.63	138.25	177.27	133.61	156.92
Malaysia (36)	143.25	+0.1	118.98	142.14	2.56	143.15	116.83	141.94	144.14	107.83	166.84
Mexico (14)	166.70	−2.4	138.46	415.56	1.20	170.75	139.36	425.65	176.90	90.07	244.02
Netherland (38)	107.86	+0.5	89.59	96.52	4.79	107.37	87.64	94.90	110.66	95.23	118.06
New Zealand (21)	82.09	−0.9	68.18	62.13	5.87	82.81	67.59	62.32	82.81	64.42	99.02
Norway (25)	126.68	+0.3	105.22	109.01	2.77	126.28	103.07	108.20	132.23	98.55	139.23
Singapore (26)	119.51	−0.1	99.26	111.38	2.25	119.58	97.59	111.20	119.83	97.99	140.21
South Africa (60)	131.49	+0.5	109.21	85.48	5.14	130.78	106.74	85.66	139.07	118.16	162.05
Spain (42)	162.72	−1.1	135.15	141.82	3.04	164.47	134.24	142.04	164.47	130.73	114.20
Sweden (36)	122.02	−0.5	101.35	109.60	2.59	122.57	100.04	109.24	125.50	96.92	114.88
Switzerland (55)	80.47	−1.0	66.84	72.97	2.34	81.25	66.31	72.66	86.75	75.60	93.66
United Kingdom (327)	138.33	−0.3	114.90	114.90	4.25	138.81	113.29	113.29	141.18	123.09	152.27
USA (578)	111.58	+1.0	92.67	111.58	3.50	110.49	90.18	110.49	111.58	99.19	124.86
Europe (1013)	109.54	−0.7	90.98	95.76	3.72	110.26	89.99	95.02	110.82	97.01	121.90
Pacific Basin (673)	169.60	−0.7	140.86	136.42	0.71	170.85	139.45	136.10	172.26	130.81	154.87
Euro-Pacific (1686)	145.58	−0.7	120.92	120.24	1.62	146.62	119.67	119.76	147.53	120.36	141.72
North America (703)	112.31	+1.0	93.28	111.54	3.48	111.25	90.80	110.49	112.31	99.78	124.92
Europe Ex. UK (686)	91.68	−0.9	76.15	83.79	3.23	92.54	75.53	83.61	92.99	80.27	103.06
Pacific Ex. Japan (217)	122.62	−1.0	101.85	108.62	3.95	123.85	101.09	109.05	123.92	87.51	130.00
World Ex. US (1885)	144.77	−0.7	120.24	119.69	1.70	145.73	118.94	119.22	146.49	120.26	141.45
World Ex. UK (2136)	131.31	−0.1	109.07	117.06	2.07	131.47	107.30	116.49	131.47	111.77	133.26
World Ex. So. Af. (2403)	131.92	−0.1	109.57	117.07	2.26	132.11	107.83	116.39	132.12	113.26	134.77
World Ex. Japan (2007)	111.98	+0.3	93.01	105.75	3.60	111.65	91.12	104.90	111.98	100.00	124.52
The World Index (2463)	131.92	−0.1	109.57	116.85	2.28	132.11	107.82	116.18	132.15	113.37	134.95

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Finstat

See FINSTAT at PIMS
Stand 505, NEC Birmingham, 16-18 June

FINANCIAL TIMES PRICES ONLINE — HISTORICAL DATA • RATE UPDATE • STATS PACK

The Use and Misuse of Statistics

There are three kinds of lie – lies, damned lies and statistics.

Virtually every schoolchild knows Benjamin Disraeli's dismissal of a science that he doubtlessly saw as black as the art of politics itself. But while everyone knows that you can prove anything you want with figures, few have yet realised that misusing statistics when giving investment advice can now land investment professionals with a seven year prison sentence. The essential difference between now and Disraeli's time is the Financial Services Act which makes "misleading statements" an offence. The dividing line between a misleading statement and one that is merely over-optimistic has yet to be tested in the courts but judging by the caution now seen in the drafting of advertisements for unit trusts, insurance bonds and pension funds, the message is being taken very seriously indeed.

It needs to be. For while investors and their advisers might have a healthy scepticism of statistics and while publicity material always contains the small print admonition that past performance is no guide to the future, the past investment record of a fund or a fund management group cannot be ignored. The future is the great unknown. The past, however, may well contain some pointers, even if they are only of the negative kind.

If statistics were not deliberately misused before the Financial Services Act came into full force, they were certainly treated with a cavalier attitude in many quarters. Fund managers would select their period of comparison. The ABC Global Opportunities Fund might well have been the best performer over three years. But the managers omit to mention that all of that outperformance came in the first month of that period when the fund was lucky enough to strike an Australian gold mining hotshot.

Since then the performance has been distinctly below average but nevertheless the table topping is clearly printed in black and white.

Another statistical abuse is the "fourth in its sector since inception" line. This will omit mentioning that the sector only had four other funds at the time of launch.

An all too common statistical trick during last year's bull market was to compare a unit trust performance with a building society account rather than a relevant stockmarket index or indeed the average of all other comparable funds. When share prices are booming, only the weakest trust fails to beat this test.

Comparison backfires

Purists argue that it is wrong to compare risk-free investment to one whose capital value could fall. Pragmatists retort that most new unit trust money comes out of the building societies so that investors are being shown the difference between action and inaction. Whoever is right, this comparison has now backfired in two ways. Advisers realise that the best trusts compared themselves against the index whilst only the mediocre needed the building society return for flattery. And the post-October crash bear market makes a building society a very safe haven.

The Financial Services Act and the need for independent intermediaries to give best advice should cut out many of the abuses. Section 47 – which ends up with the threat of seven years imprisonment – says that any person who "makes a statement, promise or forecast which he knows to be midleading, false or deceptive or dishonestly conceals any material facts" is guilty of an offence.

And LAUTRO – the life assurance and unit trust regulatory organisation – says in its rules that advertisements shall be fair, clear and not misleading. LAUTRO counts omissions as seriously as commissions. It also insists that statistics should include a five year record where the trust has one.

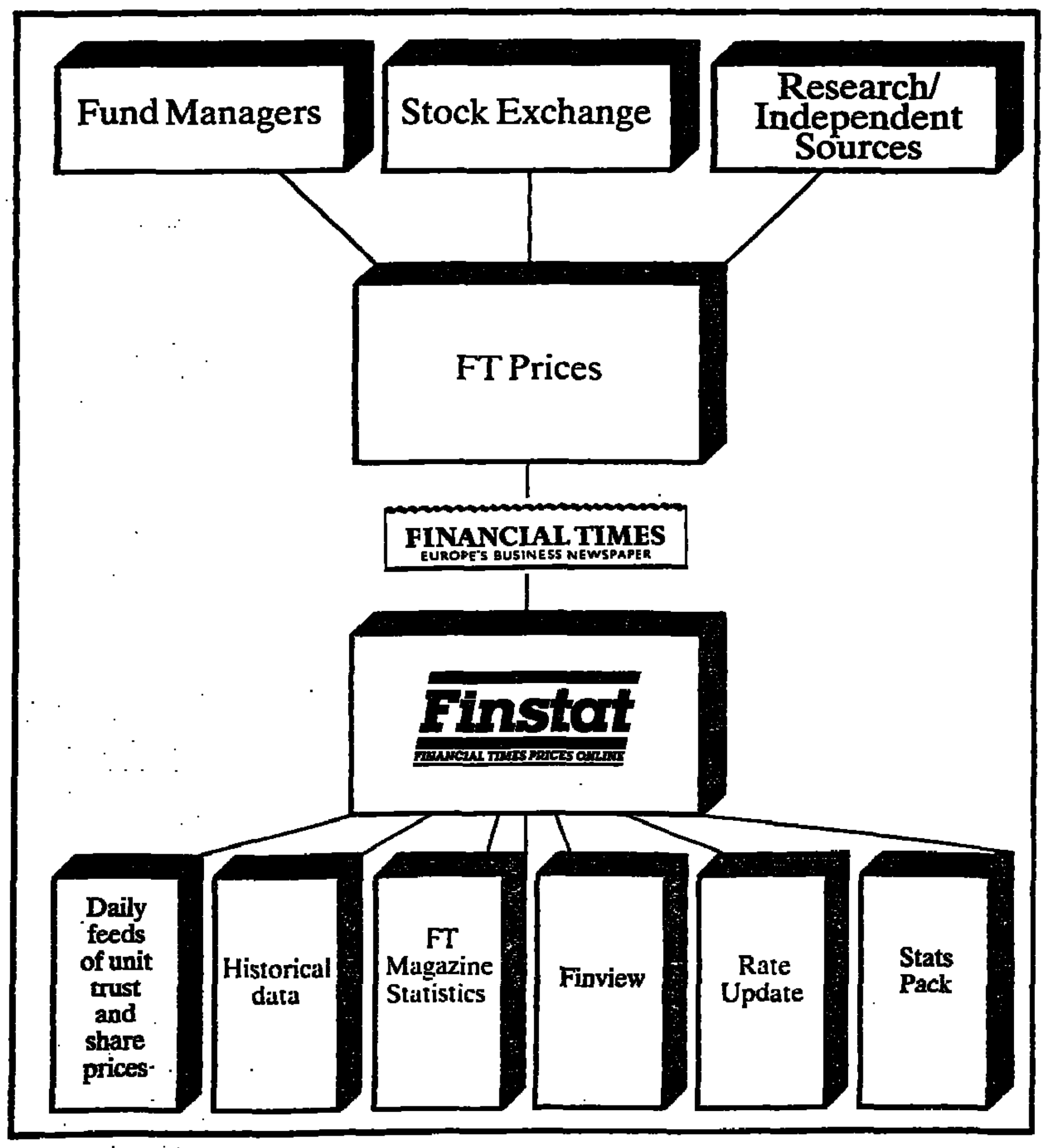
One of the benefits of the new financial services legislation is that it forces marketing departments away from the abuse of statistics. And this will enable advisers to see performance figures in a new light – especially if they have access to the same database and software as the investment companies themselves.

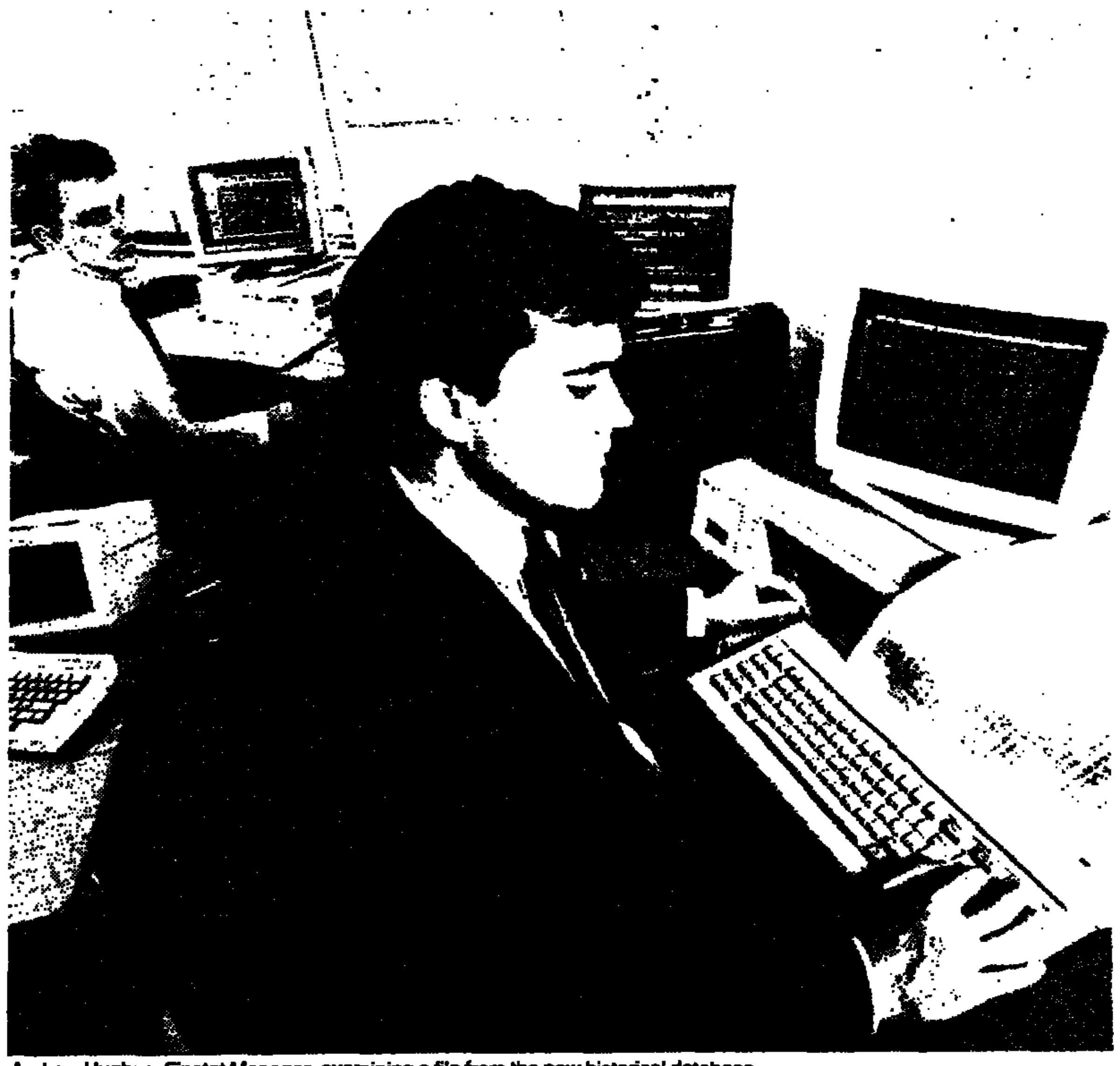
This enables them to check if the claimed performance is due to a one off freak investment or if the fund has consistently been ahead of the field.

And once they have the raw statistics in their hands, intermediaries can look at factors such as volatility. Two funds might go from 100p to 150p in three years but while one might do so in steady steps, the other gets there in a snakes and ladders formation testing lows of 50p and highs of 300p on the way. Looking behind the statistics should help find a fund for the nervous investor and one for the brave. What is the client's risk tolerance?

Obviously statistics are only part of the story. The adviser has also to be acquainted with the fund manager and be aware of changes in arrangements for stock selection and asset allocation. And if a new team takes over, advisers armed with good statistics should at least be able to get some idea of their past record. In best advice terms, the honest use of statistics should be a defence against irate clients accusing their intermediary of giving somewhat less than best.

One answer to Disraeli's scepticism regarding statistics is to have equal if not better figures than your adversary. And the other is to quote that eminent Victorian lady, Florence Nightingale. "To understand God's thoughts, we must study statistics for these are the measure of his purpose."





Andrew Hughes, Finstat Manager, examining a file from the new historical database

Opening the past for the future

History is far from bunk when it comes to financial services and investments. While the past is no guaranteed key to the future, it is an area of stability in the constantly shifting parameters of the investment world.

Finstat now not only provides a daily electronic feed of prices, it can also give the historical data necessary to understand each day's figures.

Knowing that a unit trust price is 94p bid and 100p offer allows the intermediary to do no more than work out the valuation of a client's holdings and calculate how many units a new holder will acquire for a set amount of cash.

These are essential tasks but they are mechanical, available to any person with access to a pocket calculator. The commission the intermediary earns represents the value added by being able to interpret that price.

And to do that means knowing what the price was the day before, last month, this time last year and five years ago. Or any other timescales that the adviser believes to be relevant.

But until recently, the Finstat historical database was only available for internal purposes, helping to produce the statistics pages of Money Management, Financial Adviser and the other magazines within the Financial Times Business Information group. This meant that while intermediaries could call up the most recent prices on their screens via their Finstat feed, they had to turn to non-electronic media in the shape of magazines for the historical data that would place the price in context.

The alternatives were expensive. One was to enter several thousand prices a day manually into a spreadsheet or other suitable software. This was costly and risked an unacceptable level of inaccuracies.

The other was to subscribe to an expensive online service which advisers could not shape to their own personal requirements. Now that historical data is available from Finstat, neither of those alternative methods are now needed.

With historic data, Finstat users can now support portfolio valuation systems and calculate the potential liability – if any – of the client to capital gains tax. And that has become a more difficult task since the changes in this year's budget. The price the client might have paid is no longer necessarily the base price for calculating this tax.

Historic data is also essential for users of graphical and technical analysis systems enabling them to create moving averages and indicators of volatility. The ease and comparative low cost of historic data from Finstat will doubtlessly convince many more intermediaries to use these forms of analysis, adding them to their armoury of "best advice" methods.

Extensive coverage

The content of the historical database is being continually upgraded by Finstat but currently, daily prices for unit trusts, insurance bonds, pension funds and offshore funds are available since 1985 with monthly prices covering the period between then and 1970.

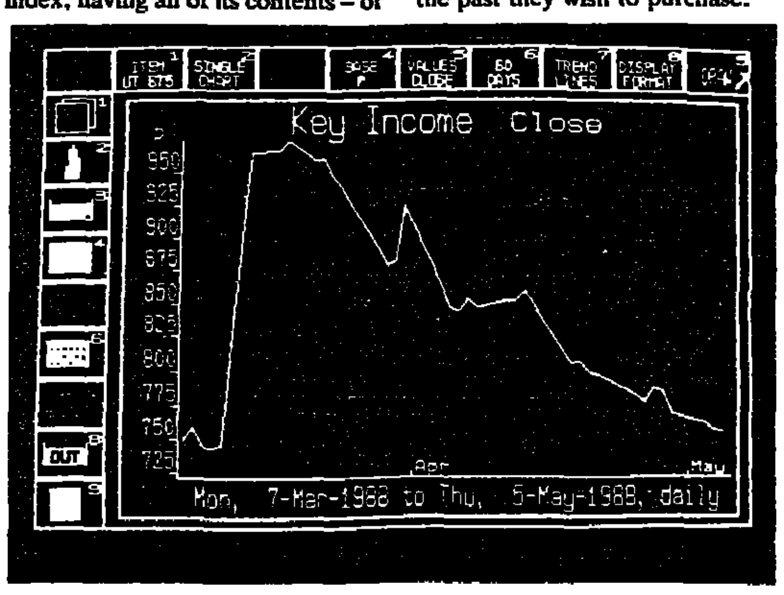
And even those advisers who have been manually updating data on a daily basis may not have realised the growing importance of currency exchange rates in the fund equation. In many instances, currencies have been a greater determinant of markets than share prices. Equally, it is important to have the major stockmarket indices of the world. Passive investment where a fund merely tracks an index, having all of its contents – or a statistical proxy – is growing in public visibility even if it remains contentious to many.

And recent research among United States pension funds investing internationally has shown that picking the right stocks and shares plays only a minor role in any outperformance by a fund compared with being in the right market and the right currency.

Finstat offers the daily values of the FT-Actuaries Index and daily figures for currency exchange rates and major international indices such as Standard & Poors in New York and the Nikkei in Tokyo since 1979. FT World Actuaries Index values are available daily from 1986.

There are two ways in which subscribers can gain access to Finstat's historic data. The more popular method is installation on the subscriber's computers by a software company who can adapt the format for the requirements of different programs. But historic data can also be provided on a disk in a format which most programs can use. Once the disk has been purchased or specialist program installed, there is daily updating via the normal Finstat feed each evening.

However the data is installed, purchasers do not have to buy more than they need. They can choose which information they require, whether they want daily data or some other period and how much of the past they wish to purchase.



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Finstat

FINANCIAL TIMES PRICES ONLINE

No Finstat – no figures

A massive advertising campaign has taught the entire nation the slogan "No FT ..., no comment." But a more select group, whose professionalism and professional well-being depends on accurate statistics, have known for decades that no FT means having to rely on less complete and possibly less accurate sources for share, unit trust and insurance bond prices.

Equally, the FT has achieved worldwide renown for the quality of the various indices that it provides in its pages. The FT-30 Index – and more recently the FT-SE100 (the Footsie) – are quoted in daily general news programmes on both radio and television as well as by other newspapers, some of which have tried in the past to launch rival services but without success.

Whose baby?

And in the highly competitive area of supplying world indices, the FT-Actuaries World Indices series has one great advantage over its rivals in that index figures for 24 major global markets are calculated in a standardized manner. Index values are quoted in several currencies to aid comparison.

But good figures are only a base – the raw material to be analysed and used according to the individual's needs. Making them available electronically was a logical extension of the paper's commitment to providing the most effective means of communicating this essential information.

Finstat started in early 1985, the child of two parents. On the one side, there was the FT itself which at that stage was moving away from the old manual methods of typesetting towards electronic setting. As far as the various pages of securities prices went, that decision allowed prices to be directly input from an outside source.

On the other side were suppliers of software who told the FT that similar data available from other sources via electronic means was too expensive. If the FT could provide a low cost electronic feed of its prices, they said, it would open the way to a huge market. They wanted material that could be sent in such a way that most intermediaries could easily receive it without having to spend heavily on new hardware. Some of the rival services were more suitable for the minority of users who had a mainframe computer. Market research confirmed what the software designers were saying.

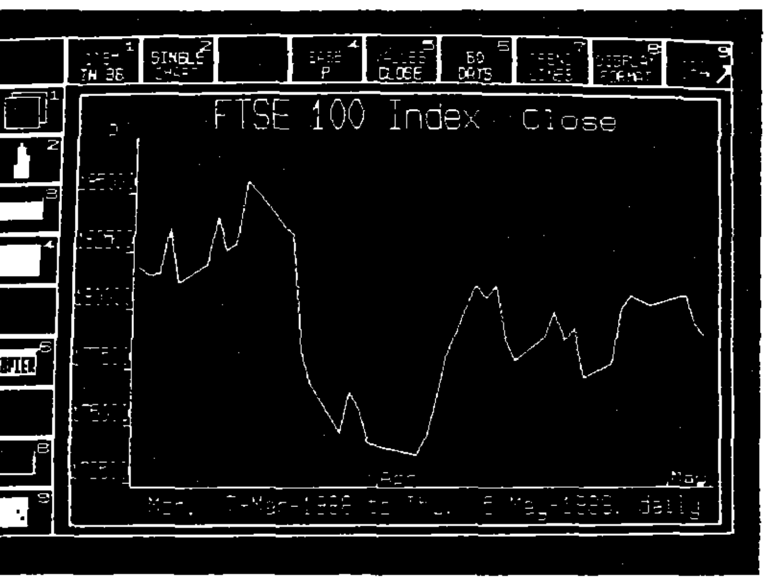
No conclusion

Finstat was born in January 1985. And it is constantly improving. A growing number of software companies design products fulfilling a variety of needs around Finstat data. At the last count, there were over 30 packages available and more are in the pipeline.

And as the applications grow, so too does the number of financial advisers who take Finstat. There are currently several hundred end users both in the United Kingdom, where they are by no means confined either to the City or even to the major conurbations, and abroad including Spain, Luxembourg, the United States, Cyprus, West Germany and Belgium. Banks, building societies and fund managers take Finstat as well as intermediaries.

It has proved to be reliable, cost effective and accurate as well as having price advantages and the flexibility to support a wide range of applications of which the three most important are portfolio valuations, analysis and sales support, including graphics.

The story of Finstat so far is one with no final conclusion in sight. Development into the scope and the speed of the service continue apace. And unless progress in electronics and the needs of intermediaries and others in the financial arena suddenly both become finite, the future story of Finstat has no concluding chapter either.



Financial Times Prices

Where the figures come from

Well before you go to bed each night and trading starts in the Far Eastern markets, thousands of Finstat prices have been downloaded to subscribers' computers along the telephone lines using Telecom Gold. But even before they leave on that journey, they have already travelled a long way.

To value the 6,000 Finstat quoted unit trusts, bonds, pension and offshore funds the fund managers have had to collect prices from bourses all over the world. Around half the figures sent out each day are the result of stock exchange trading in London. That market closes around 5.00p.m. each day. Immediately afterwards, some 3,000 share prices come off the main computer at SEAQ – the Stock Exchange Automated Quotation system – and into the Financial Times.

All the SEAQ prices are mid-market, halfway between bid and offer quotations but no other figures accompany them. Extra data such as the price/earnings ratio, highs and lows, cover, classification, the yield and the change on the day are added by the *Financial Times Prices department*, a thirty strong group whose sole job is to collect the prices and other financial data and turn them into the statistics in the back pages of the newspaper and on Finstat.

Once the raw SEAQ data has been checked and processed and the extra data added it is sent out over error correcting lines to Telecom Gold and on to Finstat subscribers. Users can get a daily check of the number of shares in issue for each quoted company, so that advisers can work out market capitalisations instantly, and an indication of the FT Actuaries grouping that a share belongs to.

Ian Craig, FT Computer Services Manager, with the FT Prices collection team

No pipe dream

Collecting the prices for insurance bonds, unit trusts and offshore funds is more complicated. Instead of one source of information – SEAQ – the FT Prices department has to deal with well over 600 separate companies. At one time, all the prices were processed manually either as a result of a telephone call or a telex from the investment company.

Now the Prices department is successfully moving towards automatic price collection. Some prices come in via Telecom Gold. Others arrive via telexes which can be automatically read by the prices computer. A minority still arrive in the old way. Of the three main areas, automatic price collection is the most advanced in offshore funds where upwards of 90 per cent are automated. Around 80 per cent of authorised unit trust prices arrive in an automated form while the onshore insurance bonds are the laggards with just over 60 per cent automated. The proportions are increasing rapidly so that the eventual goal of total automation is no longer a pipe dream.

First priority

Higher levels of automation give later deadlines and improved accuracy. Less rekeying of data reduces transposition errors and allows staff more time to spot and correct mistakes. Most of the 12,000 prices on the 6,000 unit-linked funds covered daily by the FT now reach the newspaper and Finstat subscribers' computers without any rekeying of the prices

All tastes . . . all pockets

A major difference between Finstat and certain other electronic statistical services is that Finstat is effectively a stream of numbers which can be used by the financial adviser in a large number of ways. Other services often limit the end user to a restricted range of applications while a few can only be used in one prescribed method.

The Finstat user can choose between a wide variety of more than 30 applications ranging from portfolio evaluation to technical analysis on quoted securities, trusts, currencies and indices. Many Finstat subscribers use the same Finstat data in two software packages. Software to support Finstat can cost as little as £50 and as much as £5,000. Users pay for as little or as much as they need. There are packages to suit both large and small firms and the different types and classes of investment business. Many companies with their own technical staff write or adapt their own software to use Finstat. The extremely simple Finstat file format was designed for easy programming.

Greatest variety

Portfolio management applications for tracking client holdings and providing instant valuations have the greatest variety of software. Consort Data, which has been involved with Finstat since the service started, offers client record management and investment fund management systems. There is also a securities dealing system which issues contract notes and automatically updates client portfolios. One of the advantages of Consort Data software is that it has been built around Finstat. It features a validation process to doublecheck the Finstat feed for transmission errors.

Misys, a USM quoted software group with a stockmarket valuation of over £30m has supplied over 600 intermediaries with its Misys Dataller system which provides facilities for selecting all types of risk including commercial and personal lines such as home contents cover or permanent health insurance as well as investment-related products. Mysis specialises in computer systems for financial intermediaries and offers a full range of network solutions for larger brokers. They are the only software company to hold a Finstat sales agency, allowing them to offer customers a 'one stop shop' for all or any of their software products that use Finstat data.

Investment performance

Mysis also act as selling agents for Hindsight from HSW. This illustrates and analyses investment performance using high quality colour graphics based on historical data from Finstat. But because of the large amount of data that is now available, Hindsight is best when used with hardware more powerful than a standard IBM compatible PC. A machine with a 40 megabyte hard disk and high resolution screen is ideal.

Another company with extensive networking experience is Bristol based Redcliffe Associates. Their package was initially developed for their internal use but is now winning acceptance as one of the top life portfolio and client management systems. It also incorporates full commission tracking and reporting.

LSD offers a popular and highly developed investment management package aimed primarily at managers of discretionary funds. Extra modules to handle a range of specialist functions such as CGT tracking are available.

West Midlands based Swift's system has also benefitted from extensive development over several years and is price competitive at just £700 for a standard portfolio management package.

Inner Product's Trustbase includes software to download Finstat files at cheap overnight rates and graphical representation of losses and gains on portfolio holdings, as well as the usual client record holding features. Inner Product, who specialise in customised financial software and consultancy, also sell a simple package called Sharecom that downloads Finstat and puts the files into Lotus 123 format.

Star, like Misys, are a large quoted company. They specialise in systems for accountancy firms, as do Orchard. There is also a package specifically designed for solicitors from AIM. Blueprint Portfolio from Spottiswoode & Spottiswoode is suitable for the larger fund management operation and is available in both single currency and multi-currency configurations. But Blueprint is also suitable for operations such as solicitors and accountants with a small cross section of clients.

At the larger end of the portfolio management market is Clarke & Tilley's IM-PART. This is aimed at investment managers whose data volumes and budgets are below the level at which expenditure on a mainframe computer can be justified. Clients include international banks, stockbrokers, pension fund managers and unit trust groups. Clarke & Tilley is well known for mainframe software in areas as difficult as global custodianship.

With the FAIRS packages, advisers can buy as little or as much as they need to convert the Finstat feed into their own needs. Fund Manager Plus keeps track of the clients' investments with automatic update of prices, giving a graphical display and portfolio analysis reports.

And if you follow the investment theory that says this year's worst performer is likely to be one of the winners next year while it's unlikely that this year's best fund will repeat that outperformance over the next twelve months, then Investment Eye is worth considering. It automatically seeks out the best and the worst funds using criteria which are set by the user.

The concept of technical analysis – forecasting the future from graphs showing the behaviour of the share, currency or commodity in the past – has as many fans as foes. Few are agnostic.

Enthusiasts can choose between three very powerful systems and a low cost lower capacity program. Telegraph from Tellus allows the user to zoom in on the area on the chart of most interest and to scan through graphs as though flipping through a chart book in search of the ideal investment opportunity.

Indexia from Rowen Investments offers three moving averages in different colours and the ability to call upon up to 42 years of back history. In the bargain basement is Moneywise where software for technical analysis starts at under £50. It is aimed at the occasional user. It can cover 300 share or unit trust prices for up to three years using weekly prices.

Other products such as Investment Advisor from Antar – which updates from Finstat but prices at a level to appeal to the serious private investor as well as the smaller intermediary – cover both technical analysis and portfolio management. Sharewatch from Sington Associates is similar in cost and purpose.

And for the bigger users, there is Minnie which can take care of thousands of trades a day on up to 200 terminals with disk storage capacities ranging up to hundreds of gigabytes (a thousand megabytes). Smaller versions are available. All sizes update from Finstat.

Further details of these and other software companies are available from Finstat.

	Tellus	Swift	Star	Spottiswoode	Sington	Redcliffe	Orchard	-Libra II	Misys-Hindsight	Minnie	LSD	Linsoft	Information Resources	-Sharecom	Inner Product-Trustbase	Independent Systems	HSW	FPM	Fairs	Consort Data	Clarke & Tilley	CD	Antar
PORTFOLIO MANAGEMENT																							
PRIVATE INVESTMENT					X																		X
INSURANCE LINKED		X	X		X	X	X	X			X	X			X				X		X	X	
PENSIONS		X	X		X	X	X	X			X	X			X	X		X	X		X	X	
UNIT TRUSTS		X	X	X	X	X	X	X		X	X	X			X	X		X	X	X	X	X	
SHARES			X	X	X	X	X	X		X	X				X	X		X	X	X	X		X
GRAPHICAL PROJECTION	X				X				X						X				X				X
TECHNICAL ANALYSIS	X																						
DECISION SUPPORT														X									
MULTI-SCREEN				X		X	X	X		X	X	X			X	X	X	X		X	X		
OVERNIGHT COMMS CAPABILITY	X		X	X	X	X	X		X	X	X	X		X	X		X		X	X			
CONTRACT GENERATION																				X			X
SPREADSHEET INTERFACE														X									
MULTI-CURRENCY				X	X						X							X			X		

Guide to Finstat compatible software companies and their product applications

rices' – gathering strength

calculated by the fund manager.

The first priority is using all this information to set the prices and related statistics in the newspaper itself. But once that has been done, the computer moves over to feeding the Finstat network. The names of the funds and their prices are changed to a code which saves money on transmission time as well as making it easier for the receiving computer to read. Special characters – known as checksums – are added to the data to enable receiving computers to test for transmission problems. The data itself has already been checked once. But as it goes through the computer and on to the Telecom Gold network, it goes through a further series of checks to weed out impossibilities that might happen if a decimal point were to slip.

Continual improvement

The system has been continually improved over the last three years so that the failure rate is negligible. The few failures that do happen can be attributed to noise on the telephone line, which can occasionally erase a price, but the checksums make it simple to identify and correct any problems.

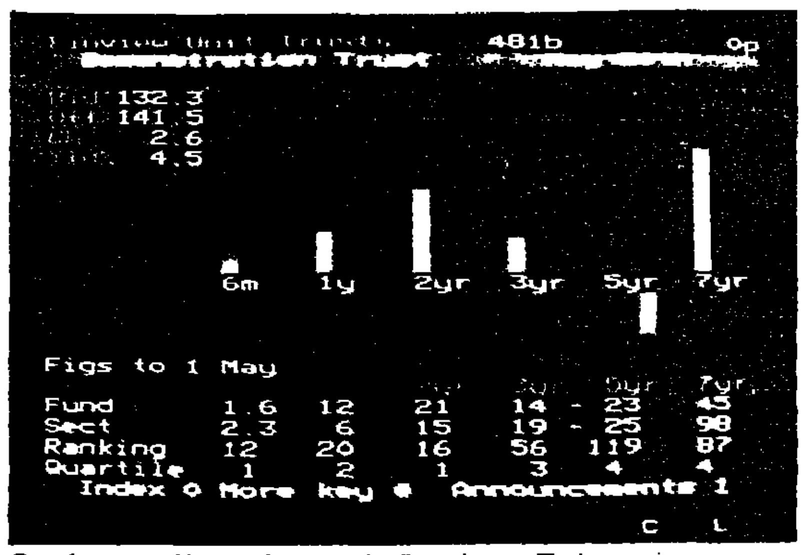
The importance of automatic price collection by the Financial Times Prices department becomes all the more vital later this year as unit trust groups move over towards making valuations more than once a day. One large group is set towards once an hour valuation by the end of 1989. Automatic price collection combined with Finstat's electronic delivery system will make it possible for brokers to keep in touch with a more fluid set of fund prices.

Finview sets sail on InView

Finview
AN FT UNIT TRUST SERVICE

Finstat, the online prices service which offers a daily electronic feed of Financial Times statistical data, is launching Finview at PIMS in Birmingham.

For the first time, intermediaries will be able to access up to date information on the entire range of authorised unit trusts and give instant hard copies to their clients via the InView screen service. InView is already in the offices of some 17,000 financial advisers who until now have used it largely to find the most suitable mortgage for a client and then to discover which endowment policy represents best advice. InView is the insurance industry's leading viewdata service. It claims the lion's share of the market.



Sample screen of fund performance details on the new Finview service

Finview has been specially developed by Finstat to meet the needs of the intermediary. It will offer the latest unit trust news so that advisers are no longer dependent on waiting for the post or scanning newspapers and specialist publications.

When stockmarkets fall by huge amounts between reading the morning newspaper and lunchtime as they did last October, access to the news becomes all important. But Finview will cover much more than the macro picture of world markets. It will also give the latest news and details of what is happening in the industry including *changes in legislation* and regulations, fund launches and – increasingly over the past months – details of fund mergers. Finview can help the broker give the best advice that is a requirement of the Financial Services Act.

Most intermediaries realise that a growing number of clients now have access to a wide variety of information. Clients expect to be told by their brokers what is happening to their investments and not have to contact them with questions and then find not only that they do not know the answer but are also unaware of the question.

World stockmarkets were fast moving and volatile before October. But at least the general trend was in the right direction – upwards. Now markets are not only fast moving and volatile but there is no longer any certainty as to direction.

This makes fund performance particularly difficult to monitor. Finview, however, can provide updated details in an easy to access form which can highlight the best and the worst performing funds using Finstat historical data.

As well as performance tables, Finview also provides summaries for each of the 1,200 plus individual funds. Information on display includes the current bid and offer prices, the dividend yield of the trust and its total valuation, its annual and initial charges and the minimum investment level the managers are prepared to accept. Unit trusts which have monthly savings schemes – an area of increased investor interest since the crash – *are also indicated together with full* details. Each unit trust has several on-screen pages in the Finview service. Some are dedicated to the performance of the individual fund showing its growth over several periods and its comparative ranking within its own investment sector.

Easy to use

Finview has been designed with the needs of the busy intermediary in mind, being on the same InView system as mortgage and insurance information. But it has also been conceived with cost as a major consideration. Like many InView services, Finview is a 'pay as you view' system. And this is especially important to the intermediary who only occasionally advises on unit trust sales and purchases.

This makes it an alternative to certain costly systems currently on offer which charge the same whether the system is used once a week or several times an hour. Finview has no minimum charge nor is there any commitment to pay for more than is used.

There are two charges. The first is the cost of the phone call to link up with the InView service. Using the UK's largest private data communications network, 98% of all business telephones in the country can access InView for no more than the cost of a local call.

The second is a specific charge (approximately 35p per minute) for accessing the unit trust information on Finview. Billing for Finview payment is made monthly.

Finview has also been designed so that it is simple to access – and equally as important, it is easy for the least experienced staff to use. There is on-screen help to guide users through Finview step by step thanks to strategically placed "menus" which set out the many options available, help facilities and prompts to suggest the next action in a normal chain of events. And once staff become a little more experienced, they will use keywords which enable them to move rapidly between functions, not only saving time but also cost.

Clients will appreciate the full colour graphics and the facility that InView users have to make a hard copy. Giving one copy to the client and filing a second helps meet requirements of the Financial Services Act.

Existing InView users are authorised to access Finview immediately. Others must join the InView system. The only hardware required is a viewdata set or a suitability adapted microcomputer – and a telephone line, of course.

Finstat
FINANCIAL TIMES PRICES ONLINE

FINSTAT FEEDS

HISTORICAL DATA • RATE UPDATE • STATS PACK *HISTORICAL DATA • RATE UPDATE • STATS PACK* *HISTORICAL DATA • RATE UPDATE • STATS PACK* *HISTORICAL DATA • RATE UPD.*

Finstat provides a wide range of feeds, enabling you to subscribe to the data you need. The full range of feeds is described below.

	SUBSCRIPTION RATES PER MONTH DAILY (VIA T.G.)	WEEKLY (DISK)	MONTHLY (DISK)
GROUP 1: FT SHARE INFORMATION SERVICE			
	£	£	£
SIS1: Price and yield for the 3,000 shares and gilts (approx) quoted in the back pages of the FT.	60	50	25
SIS2: Price and yield for gilts and the 750 constituents of the FT Actuaries Indices together with prices for gilts.	60	50	25
SIS3: Price and number of shares in issue for the 750 constituents of the FT Actuaries Indices together with prices for gilts.	60	50	25
SIS4: Price and number of shares in issue for the 750 constituents of the FT Actuaries Indices together with an indication of the indices groupings to which a particular stock belongs, and prices for gilts.	90	75	40
SIS5: Price and P/E ratio for the 3,000 shares (approx) quoted in the back pages of the FT, and prices for gilts.	60	50	25
GROUP 2: FT INDICES			
ACT 1: FT Actuaries Indices Table ACT 2: FT30 Share Index	}30	25	15
ACT 3: FT Actuaries World Indices	30	25	15
IND1: FT Actuaries and World Indices, International Indices and Currency Exchange Rates	FREE*/30	FREE*/25	FREE*/15
CURR1: Sterling and US Dollar exchange rates, pound spot and forward rates (1 month, 3 months)	60	50	25
*Available free of charge to anyone subscribing to a Group 1 or Group 3 feed.			
GROUP 3: FT UNIT TRUST INFORMATION SERVICE			
UTS1: UTAS – Bid price and yield for Authorised Unit Trusts UTIS – Bid price and yield for Insurance Funds (Life and Pension) UTOS – Bid price and yield for Offshore and Overseas Funds	60	50	25
UTS2: UTAX – Bid price, offer price, change and yield for Authorised Unit Trusts UTIX – Bid price, offer price, change and yield for Insurance Funds (Life and Pension) UTOX – Bid price, offer price, change and yield for Offshore and Overseas Funds	60	50	25
GROUP 4: FT DIVIDEND INFORMATION			
DIV1: Dividend information relating to the shares and gilts within the SIS section of Finstat. Data includes the amounts dividend or interest payment, the ex-dividend date, and the date of payment.	60	50	25
DIV2: Dividend information on the unit trust section of Finstat.	60	50	25

ALL PRICES ARE EXCLUSIVE OF VAT AND TELECOM GOLD CHARGES

For further details contact Finstat, Financial Times Business Information, 126 Jermyn Street, London SW1Y 4UJ. 01-925 2323

ENQUIRY FORM

Please complete the coupon and return to Finstat, Financial Times, 126 Jermyn Street, London SW1Y 4UJ or telephone 01-925 2323 to request further details on the Finstat services.

Please send me further information/samples on:

☐ **Finstat** – FT Prices Online

I am interested in the benefits Finstat offers and wish to:
☐ Discuss the service in more detail
☐ Have a demonstration
☐ Arrange a free trial
☐ Receive details on the following software package(s) ____

☐ **Finview** – FT Unit Trust Service

☐ **Stats Pack** – monthly preview of fund performance statistics

☐ **Rate Update** – weekly guide to life assurance rates

Name ____ BLOCK CAPITALS PLEASE

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Company ____

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Nature of Business ____

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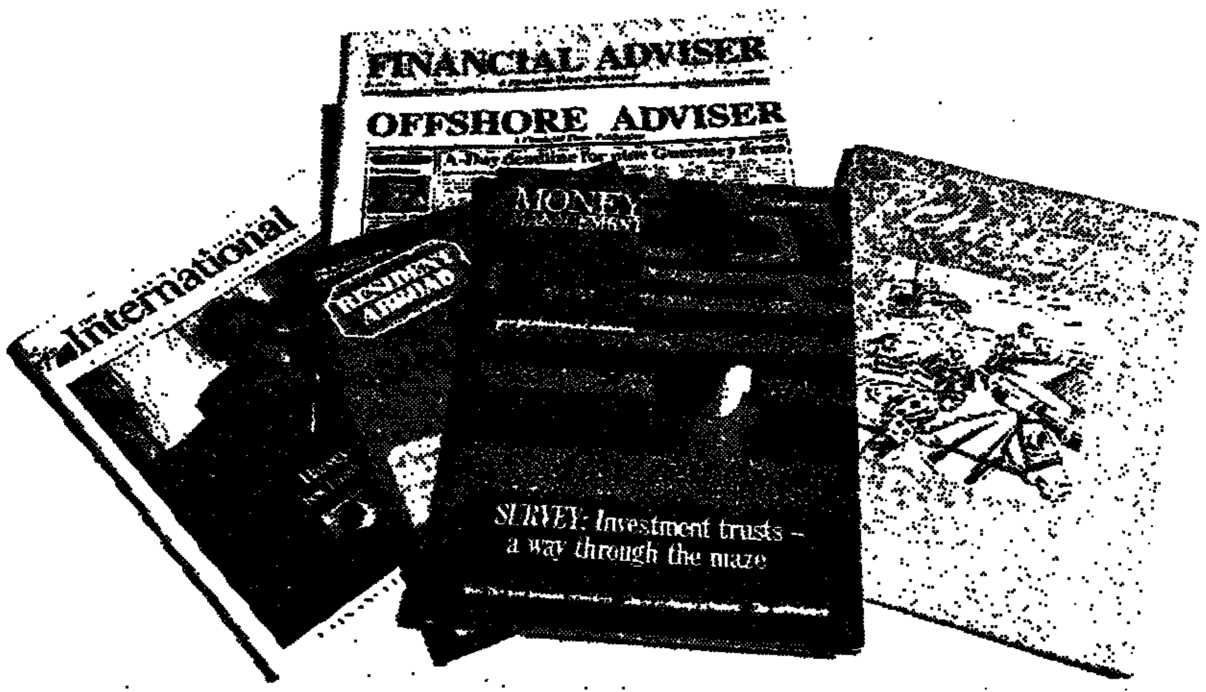
Finstat

FINANCIAL TIMES PRICES ONLINE

Finstat – hard facts in hard copy



Some of the FT publications that carry Finstat statistics

Finstat provides statistics for the wide range of magazines aimed at private investors and their advisers within the Financial Times Business Information group.

After the weekly Investors Chronicle, the longest established title is the monthly Money Management, half of whose pages are devoted to statistics. It is the best selling magazine in its field. Ahead of all the changes in pensions legislation and practice now taking place, it was joined some three years ago by Pensions Management, which has rapidly become the leader in its market.

Two publications aimed at intermediaries, Financial Adviser and Offshore Adviser, make full use of Finstat as do The International, a newcomer this year, and the long established Resident Abroad. Both The International and Resident Abroad are read by expatriates.

Finstat's electronic data feed enables all these titles to update their statistics in a matter of minutes where previously it took days of manual labour. But equally important, the editorial statistics staff can explore the significance of these figures using one of the various software packages available. An exercise to check the week by week performance of a large range of unit trusts would have been virtually impossible by manual means. But using Finstat, that task presents no problems.

The statistics in the two monthly magazines cannot be with readers until the rest of the magazine is complete. High quality colour printing is not as fast as users would wish and there is also the need to check and double check articles for accuracy.

But anyone who needs the figures that appear in Money Management and Pensions Management can subscribe to Stats Pack which provides Finstat data once a month by post just one day after the first working day of the month.

This gives anyone – intermediary or investor – a virtually instant update of data which carries all the authority of the Financial Times behind it.

Rate Update, the weekly guide to life assurance rates, is another offshoot of the magazine statistics available from Finstat by subscription. It provides, amongst other details, the full market surveys of comparative rates with the relative market position for different insurance companies.

Finstat - as seen by the software companies

Finstat is raw data. It needs a suitable software package to turn it into useable information. And software companies have been associated with Finstat since its very inception.

"We were instrumental in the setting up of Finstat," says John Everett the managing director of software house Consort Data.

"Back in 1983" Everett explains "we introduced our Client Record Management system which was designed as a portfolio management tool for stockbrokers. It worked but the users did not like the chore of inputting prices each day. Towards the end of the following year, I had a meeting at the Financial Times where I suggested that the daily closing prices should be made directly available to users.

"We discussed certain design parameters that were necessary for a product that was to be transmitted over slow speed telephone lines. Everything possible had to be done to save time and there was the need for validation. Finstat was designed with this in mind and the requirement that the receiving brokers should not need elaborate hardware. While other statistical services seem more designed for the mainframe user, Finstat is the *optimum design for its purpose."*

Keith Stafford is the software designer who created Hindsight from HSW. "When we were designing Hindsight, we had several requirements," he says. "We needed complete coverage of the markets, a daily supply of information and one that was transmitted overnight so that it would be useable as soon as work started the next day. We were also looking for reasonable costs."

At that time, Finstat was not supplying its historic database to outsiders but after negotiation, it was made available to HSW who put it in a form that was more user friendly.

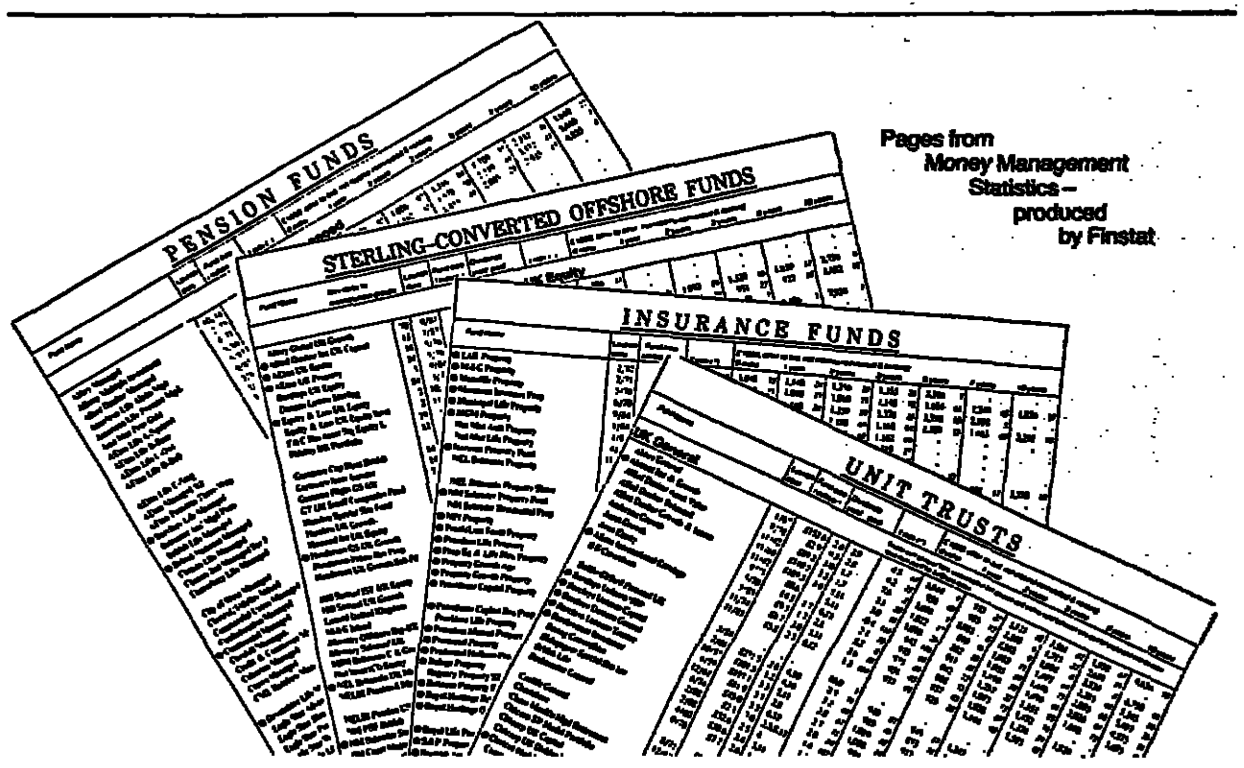
"We were and remain enthusiastic about the security of supply which is very strong," continues Stafford. "We like the long term experience behind Finstat and the fact that they were prepared to price it so that it would not just circulate amongst the rich institutions of the City. For our product to be successful, it had to sell beyond that group.

"It is extremely reliable. In the two and a half years since we started working with Finstat, problems have been very rare and then mainly with Telecom Gold. We are confident of time targets.

"And it is an independent source of information. Others use information that comes second hand from *another source,* to which they then add value and redistribute. Users have to pay for the costs of the middle man. We would worry that the middle man is introducing a further level where something can go wrong."

"We see the future as infinite. There are no space restrictions with Finstat – unlike the newspaper – and we hope that even more information will be published. Finstat is taking the right direction, investing heavily where it matters."

Bryan Turnock at software group Misys agrees. "It is very good quality data. When it comes down the line, we never feel the need to question its accuracy. It is the industry standard. Everyone knows the position of the Financial Times. We believe that they will not limit themselves to the present day product for there are no bounds to what could be done."

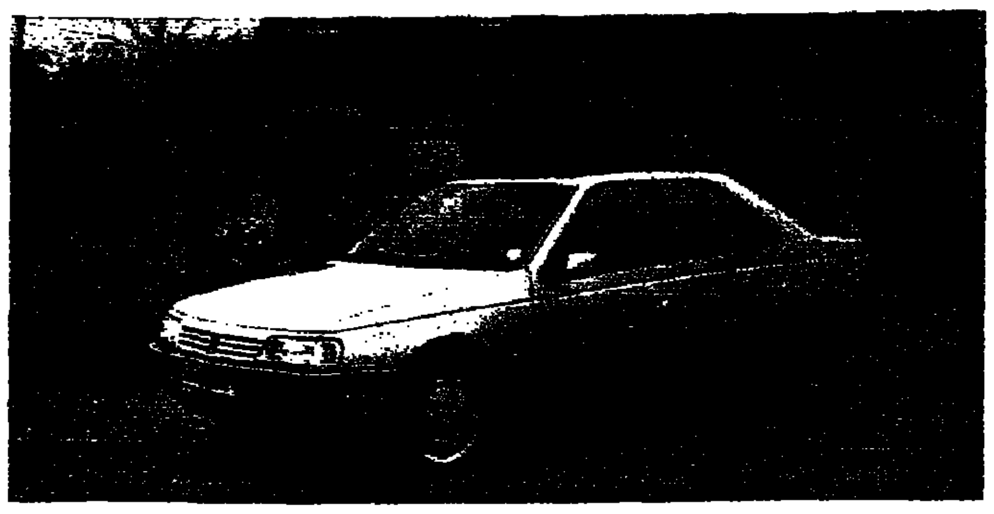


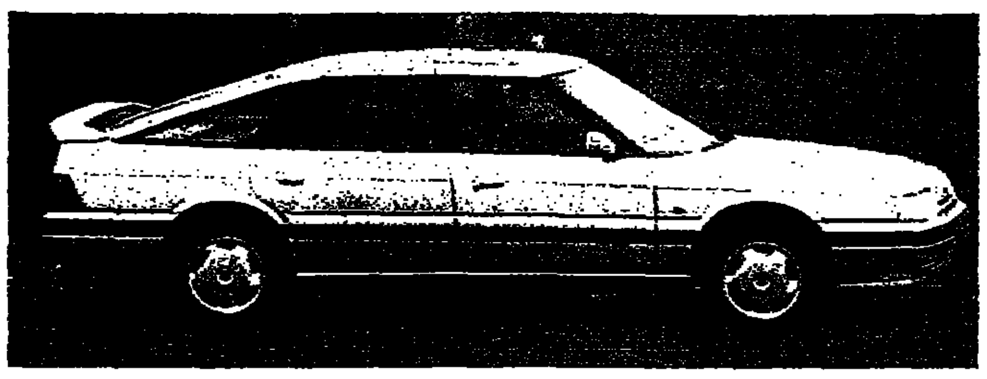
Pages from Money Management Statistics – produced by Finstat

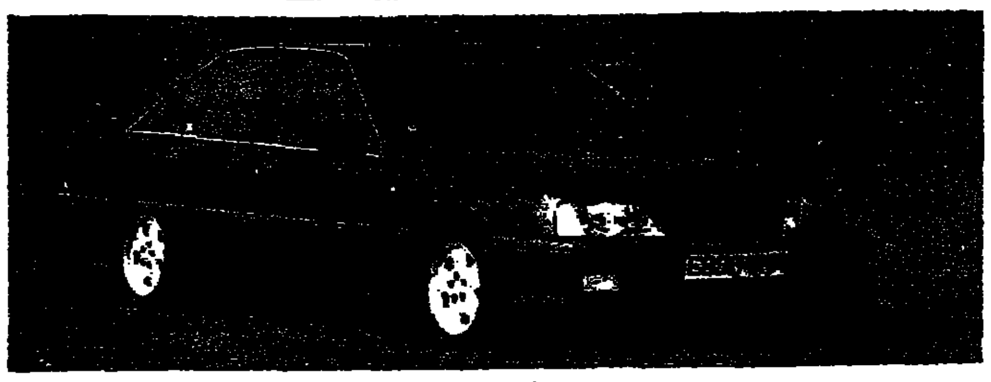
FINANCIAL TIMES SURVEY

WORLD MOTOR INDUSTRY SERIES

The proportion of executive cars made in Europe is nearing one in four of total production, boosted by the volume companies. Japanese makers are becoming serious contenders in the sector as their general move upmarket achieves success. John Griffiths reports.







Executive cars, neglected by volume manufacturers in the early 1980s, are big business again. The UK Rover Group's Vitesse (bottom left) launched last month is the latest arrival in a sector which also includes the Opel Omega/Vauxhall Carlton (above), Ford Scorpio/Granada (top left) and Peugeot's 135mph M16 version of its 405 saloon.

Executive Cars

Big efforts to compete

BY 1990, according to forecasts by the DRI Europe consultancy group, every fourth car coming off Western Europe's production lines will be of the "executive" class.

This compares with less than one in five at the end of the 1970s, in the immediate aftermath of the two oil crises.

In general terms, the growth reflects the sustained increase in affluence of the developed world's economies since the early 1980s. But it has also been given a substantial boost by the activities of the volume car manufacturers.

Unlike the "specialist" executive car makers such as BMW or Mercedes, at the end of the 1970s volume car producers had the option of, and were much more interested in, investing in smaller, more fuel-efficient cars than in large ones.

As the volume producers' then-existing entrants in the executive sector - such as Ford's "old" Granada - aged, so sales fell of both their cars and the executive sector overall.

What no one was really quite sure of, at least for some time, was whether the executive market was undergoing permanent shrinkage because of oil uncertainties and other wider economic factors - or simply because of a lack of attractive vehicles.

In the last three to four years, the answer has been plain to see as Ford, Opel, Renault and other big makers have belatedly brought new executive cars into production.

The advent of the Renault 25 has lifted the French company's executive car output from 53,000 vehicles in 1983 to an expected 130,000 this year.

Fiat's output in the sector, a mere 17,000 units in 1984, hit 145,000 units last year thanks to its new Croma and Lancia Thema. With the new Alfa Romeo 164 sports saloon starting to become available in markets outside Italy, DRI sees total output of Fiat group executive cars reaching 160,000 units this year.

There are several other notable examples. Annual production of executive cars under General Motors' Opel and Vauxhall badges in Europe has virtually doubled, from 107,000 units in 1985 to 200,000 following the introduction of the new Opel Omega/Vauxhall Carlton range.

Ford of Europe's Granada/Scorpio range has lifted Ford's executive car output from 63,000 in 1984 to about 100,000 last year. Meanwhile Peugeot, once the dominant force in European executive car output, is forecast by DRI to more than double its output in the sector when the long-awaited 605 model makes its debut, possibly at the end of this year.

Executive cars have provided good business for their manufacturers. For a start, they carry a high price. The starting point for an executive car in the UK now is at least £11,000, according to Mr Hans Tauscher, Mercedes Benz UK's managing director. And there is clearly the potential for high profit per unit.

The trouble is, there is hardly a manufacturer in the non-Communist world that has not jumped, or is not trying to jump, on the bandwaggon. They include even Hyundai of South Korea, which plans to launch a full-sized executive model well before the end of the decade.

By far the biggest, and for Western producers most threatening, push is coming from Japan. Shortly, both Toyota with its Lexus models and Nissan under an Infiniti badge will be launching large, lavishly-equipped cars with V8 and V6 engines intended to confront head-on the very best and most expensive cars that Western Europe or North America can produce.

They will be joining Honda, which pioneered a separate name and distribution network - Acura - for the first of its intended BMW and Mercedes-"bashers", the Legend.

Honda, which so far has used the Acura name only in North America, caused something of a stir at the UK Motor Show last October when it unveiled its Legend coupe - and stressed, rather than tried to play down, the fact that the car would cost £24,000. This made it by far the most expensive Japanese car launched in Europe.

It also served notice that, from now on, no sector of the car market - no matter how rarified or currently dominated by European producers - would be exempt from the Japanese motor industry's attentions.

The Japanese trend to moving their car production up-market is now firmly established, and is already having marked success. It contributes to the achieving of the twin goals of diluting protectionist concern in the West by keeping export units numbers down, while at the same time maximising per-unit profitability.

By using "transplant" production - such as Nissan's in North East England - to cater to volume markets they can thus continue to make net market gains.

Empirical evidence can be seen in last year's US-Japan balance of trade in cars. The US deficit rose by $214.1m to $2.12bn, despite a 203,000 drop in unit exports.

Part of the explanation, obviously, concerns the stronger yen - but a 28 per cent rise in large car shipments also played no small part.

No less telling is the changing nature, even within the past 12 months, of the debate about the technical and engineering merits, or otherwise, of Japanese executive and sporting cars vis-a-vis their as yet still more prestigious European counterparts.

Five years ago, by common consensus, Japanese manufacturers were still finding it very hard to build cheap volume cars with ride and handling even remotely comparable to best European practice.

In the past 12 months the debate has focussed much more on whether the innovations the Japanese have been introducing ahead of everyone else, such as four-wheel-steering, can be justified on cost grounds, and anxious discussions about precisely how soon some of the dazzling display of concept cars unveiled in Tokyo last autumn might be translated into commercial reality.

Only two months ago, at the Turin Show, one of the small straws in the wind that some industry observers found alarming was the almost total absence of the usual large numbers of camera-toting Japanese.

Turin is the main showcase of the still world-renowned Italian design houses such as Ital Design, whose concepts in the past have been photographed and pored over in the minutest detail by "observers" for the Japanese manufacturers. Was this an indication, some Western observers couldn't help wondering, that the Japanese were starting to feel they had not too much left to learn from Europe?

Inevitably, these developments have served to tighten the competitive screw on the more specialised executive and luxury car producers. Mr Tauscher, for one, rejects all notions that the specialist companies were able to reap large financial benefits from that period in the early to mid-1980s when competition from the volume manufacturers was very weak.

"This is very far from the truth. The pressures on the specialist car manufacturer are different, but they are equally severe. He has either to produce something very special at almost unrealistically small volumes and still make a profit.

Or, if he produces in numbers in the executive car market, he has to constantly push forward the borders of automotive technology and create state-of-the-art products."

It is for precisely that reason, he suggests, that Daimler-Benz itself has been allocating 4 per cent of its turnover to research and development, which translates into spending of £1m a day on product development alone if trucks are included.

The company also employs 11,000 scientists, engineers and designers, and has acquired the electrical engineering, electronics and aerospace groups AEG, Dornier and MTU to broaden both its technology and product base.

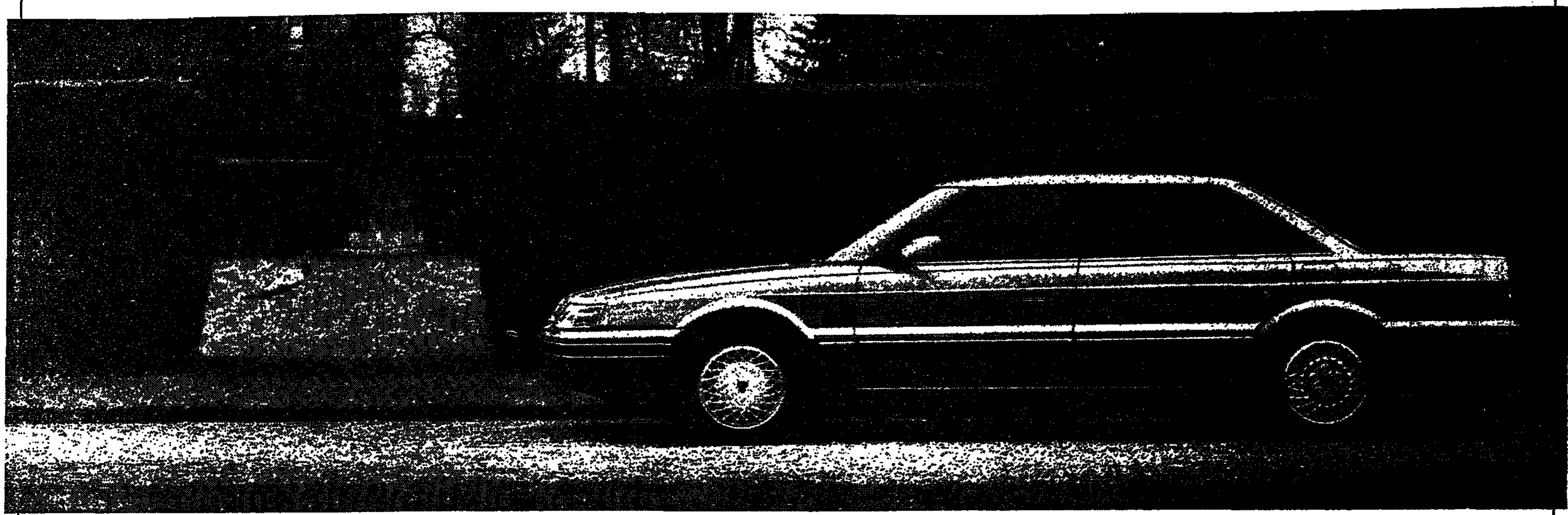
At least until last year, the European specialist car makers had beaten off most challenges remarkably well - with some partial exceptions such as Porsche, the luxury sports car maker, which has cut output by nearly 30 per cent and seen its profitability sharply reduced.

Success had been particularly notable in the US market, by far the world's largest for executive and luxury cars. Volvo of Sweden, for example, has exported more than 100,000 of its large 700 and 200 series cars in each of the past four years, with Mercedes, BMW, Saab and Jaguar all making consistent and substantial sales gains, at least until last year.

It is the US market, however, which is now creating increasingly severe problems for the specialists. The collapse of the dollar against the Deutschmark and sterling in particular last year

Continued on page 3

THE REAL BEAUTY OF IT IS THE NEW 2·7 LITRE ENGINE.



The gracious lines and sleek good looks of the Rover 800 have already raised many an admiring eyebrow.

Look, for example, at how America greeted the arrival of the Sterling. "With the possible exception of Concorde, no machine so nicely put together has ever before come out of England." *US Car and Driver magazine.*

Well now, to turn heads still further, the Sterling comes with another powerful asset. An all-new 24 valve, 2.7 litre V6 power unit. It's not only very powerful, it also thinks rather fast. The brain behind the 177 PS engine being a computer-controlled, electronic engine management system.

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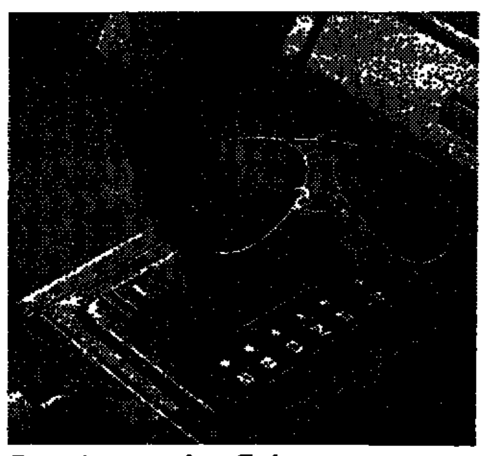

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US manufacturers are uncertain but have raised their forecasts

More buying luxury cars

ENCOURAGED BY brightening economic prospects, more buyers have been returning to the US luxury car market in recent months. Manufacturers, still certain they will sell somewhat fewer cars this year than last, have begun, though, to raise their forecasts a notch.

Negative factors that piled up at the beginning of the model year last autumn now look far less menacing. Fears that the October stock market crash would trigger a recession have largely receded and some of the sting of the depreciated dollar, critical to importers' US pricing, has begun to ease.

Taking the broadest definition of the market, J.D. Power & Associates, the automotive consultants, is forecasting luxury car sales of 1m this year, equal to roughly 10 per cent of the total US car market. Such a level would be virtually flat compared with 1987 and levels of 1.1m in 1986 and 1985.

The good news for foreign manufacturers is that as a group they are taking a larger share of the market, rising from 21.9 per cent in 1985 to a forecast 31.6 per cent this year.

The reality though is that despite the sales pick-up, foreign manufacturers are bracing themselves for even more intense competition as more makers offering a widening range of cars crowd into the market. From some 40 models five years ago, the market now boasts more than 60.

At the lower end of imported luxury cars, around $20,000, the big battle will be between Honda, Nissan and Toyota. The first to set up a new brand of up-market cars was Honda which introduced its Acura range in the spring of 1986. The other two will try to emulate its success by introducing their own luxury marques, Infiniti and Lexus respectively, over the next 18 months.

One of the keys to Acura's success has been its dealer network. Honda has drawn primarily on its existing dealers requiring those selected to make substantial investments in the new franchise. The number of Acura dealers has grown from 60 in March, 1986, to about 250 now.

Being new to the market they offer a level of unhurried, personal service which potential buyers, many new to the luxury market, find welcome after the mass merchandising of many down-market dealers.

While many other manufacturers have struggled to maintain their sales levels in a flat market against more competitors, Acura is well on track for selling 140,000 to 150,000 cars this year compared with 109,500 in 1987, its first full year. In volume terms it has shot ahead of established importers such as Mercedes-Benz which sold a record 99,000 cars in 1986.

Acura believes it is developing an essentially new, and potentially large, market segment. Although it is winning some sales from the bottom end of Mercedes, BMW, Audi and other ranges, it is targetting buyers who are moving up market from

Foreign makers selling in the US are bracing themselves for even more intense competition as more companies offering a widening range of cars crowd into the market

luxury Detroit cars or cheaper imports.

As long as Honda can cope with the high yen, the Acura will be increasingly the affordable alternative to European cars made expensive by currency factors. Currently, the most expensive model of Legend at the top of its range sells for just under $30,000.

Another key to Honda's success has been the development of a distinctive image for the Acura which breaks away from the utilitarian and down-market stereotype of Japanese cars. Nissan and Toyota will have to spend heavily on advertising to achieve the same effect with the disadvantage of being later entrants.

To make life even harder, it looks as though they are aiming even further up market than Acura, which will mean a far bigger leap for their present customers.

The importance of image has been borne out by Austin Rover's difficulties to date in the US with its Sterling. The car, which is essentially the top-of-the-line Rover 800 series from the UK, was praised by both motoring press and public at its launch in early 1987.

It is often considered superior in looks, features, price and performance to the Acura Legend with which it shares Honda mechanical components. Yet the failure to establish a clear identity is the main reason why its sales last year were one third those of the Legends and are falling this year while the Legends' are rising.

Detroit is absent from the plushest echelons of the luxury car market with the exception of General Motors' Cadillac Allante sports car. It is an anomaly, however, in that it was designed and partly manufactured by Pininfarina in Italy and costs, depending on options, about $55,000. Sales have been slow, however.

In numerical terms though, the broadly-defined luxury market is dominated by domestically-made cars which offer only a moderate step up in terms of engineering, refinement and price from Detroit's other full-sized cars.

Ford Motor has produced the biggest recent change for Detroit in style and engineering with the latest incarnation of its Lincoln Continental. Selling at about $26,000, the front-wheel drive car offers computer-controlled suspension, anti-lock brakes and speed-sensitive power steering. The fact it its billed as a car which feels and looks European is the surest sign that the Germans in particular set taste and standards in the US market. In fact though, the car's heritage is still more Detroit than Munich or Stuttgart.

The top end, setting aside exotic sports cars and specialist saloons such as Rolls-Royce, will see a wheel-to-wheel race between Mercedes-Benz and BMW now the latter has truly competitive products in its new 735 and 750 cars.

BMW has suffered a 16.5 per cent decline in unit sales so far this year compared with last, a fall typical of European importers as a whole. In addition to the economic conditions earlier in the year, it also blames tax reform in 1986 which made it far more expensive for businesses to own and run cars and the phase-out of its old 5 series cars.

But most importantly "we have confused the consumer on values by introducing a lot of new, more expensive models and increasing prices because of the Deutschemark's appreciation," a senior executive says. The price increases vary widely but on a 325 two-door, for example, they add up to 24 per cent since late 1985.

"We're very confident that at some point soon currencies and prices will stabilise."

BMW's long-term strategy of moving into higher-priced and quality cars is proving one way to offset the currency disadvantages. To meet higher demand expected in coming years it is part way through a $100m investment programme in new US facilities.

The shocks of tax reform and currencies are beginning to wear off, new models such as the 735 and 750 are selling well and it has high hopes for the new 5 series arriving later in the year. Overall it expects sales in the low 80,000s this year compared with 87,000 last year and a record 96,000 in 1986 which was boosted by a rush of sales to beat tax changes.

Mercedes-Benz's sales are down about 5 per cent so far this year from last, says Mr Hans Jordan, its vice-president of marketing in the US. The company's price increases have totalled about 30 to 35 per cent over the past two years but Mr Jordan says he is "detecting a level of acceptance" among customers.

Most importers have been offering financial incentives to dealers as a way of stimulating sluggish sales. Mercedes-Benz says it never actually cuts car prices or offers rebates to customers because "that would be inconsistent with our image."

It has, however, initiated a programme this year through Mercedes-Benz Credit Corp. to enable dealers to offer attractive leasing terms to customers. The service, which has proved particularly appealing to buyers of its cheapest cars who typically stretch their finances to become Mercedes'owners, has been widely copied by other manufacturers.

Overall, "the market is doing better than forecasted earlier considering all the impediments," Mr Jordan says. "Time heals all wounds" and customers are beginning to adjust to tax reform, currency rates and the general economic outlook.

Roderick Oram

Village development at Naperville, Illinois. US executives prefer to buy their own cars

Fleet cars stay at office

INVERTED SNOBBERY is almost as big a factor as tax legislation in the US executive car market. Both militate against the use of company cars as executive perks.

For an American executive, having a company car for personal use confers virtually no tax advantages. It also carries a certain stigma of association with the lower level travelling salesmen who are the mainstay of the huge US fleet car business.

To make matters worse, the few large companies which do provide senior executives with cars mostly stipulate traditional and modest-looking vehicles. In these days of corporate raiding, wage givebacks on the shop-floors, and universal emulation of low-key Japanese management styles, ostentatious behaviour by senior executives is definitely out of style - especially when it is the company that pays.

There have been few complaints from senior employees about the new fashion for austerity. It has, after all, coincided with a period of unprecedented pay inflation in the executive suites, to say nothing of the biggest tax cuts in history for the higher-paid.

That tax cut, which was the centrepiece of the 1986 tax reform, also did away with any vestige of fiscal advantages in company car ownership. Employees who enjoy any personal use whatsoever from their company-owned cars are in theory fully liable for the cost of the vehicles.

On top of the full tax cost borne by employee users, the abolition of accelerated depreciation rules has made the actual ownership of the car more costly for his company.

This has not prevented some small and private companies from continuing to buy cars for their directors. But in most large American corporations, the company car is now essentially a vehicle kept in the company garage and taken out only for clearly-defined business purposes during the working week.

And even among the small number of such truly business cars, discretion is now the watchword. Obviously, a few stretched limousines are *de rigeur* for shuttling groups of executives and clients to and from airports or for occasional on-the-road meetings. But most of the cars used for corporate transport are traditional large US sedans, with some companies pointedly eschewing the top of the range brand names such as Cadillac and Lincoln.

For example, Sears Roebuck, the nation's biggest retailer, based in Chicago, says that it has a fleet of company cars, with drivers, for the use of its corporate officers. The cars are "businesslike and in no way opulent." The company uses several US marques, but has one prohibition - "no Caddys."

American Telephone & Telegraph makes the same point. It has a small fleet of Buicks, Chryslers, Oldsmobiles and a few Cadillac Sevilles for the use of about 100 executives. But these are definitely not meant to convey an image of excessive luxury.

"AT&T is less than enthusiastic about any show of extravagance by managers," the company says.

On the West Coast, Bank of America similarly confines itself to middle-range cars such as Plymouths and Fords. Part of its fleet runs on alcohol, dating back to the energy crisis and the B of A garage is one of the few places left in the US which has its own methanol tanks.

Not surprisingly, the bank, which has been struggling for five years to work its way out of record loan losses, joins in the austerity refrain - "not showy is what goes in Californian business these days."

But if employers try so hard to impose a puritanical decorum upon their senior employees in working hours, how is it that America has the largest, most varied and still probably the most profitable, luxury car market in the world?

This paradox is much more apparent than real. The very fact that cars have become so unusual as executive perks, has made the luxury market more open and profitable than in a country like Britain, where it is dominated by the fleet buyer.

In America, the senior executive earns far more in cash and pays far less in income taxes than would his counterpart in almost any other country. He then goes out and spends that money on the car of his choice with no arbitrary restrictions on price, marque, country of origin or specifications.

And while his company may be projecting an image of business-like austerity, in his private life he can be as ostentatious as he likes.

Anatole Kaletsky
Carolyn Valdez

The image of technical superiority continues to dominate Europe

German makers win on quality

EXTENSIVE wind tunnel testing eliminated the rough edges from West Germany's executive cars years ago. And the engineers at Mercedes-Benz and BMW put a lot of time and effort, plus a few billion Deutschemarks, into refining the parts you don't see to win customers and influence the market.

The emphasis on high-priced highly-engineered cars has made West German car companies world leaders in the executive car class.

But with Mercedes producing about 600,000 cars annually, and BMW another 460,000, both obviously aim at a bigger market than just government ministries and board room executives. But the top-of-the-line executive cars play a key role for the whole of West Germany's car industry by establishing an image of technical superiority.

Since West German wage earners are now at the top of the international scale, the only way to go is up-market.

Executive cars are especially important in Europe, where tax laws make them "the single most tax-effective form of compensation," says Mr Paul Curley, general manager of ECS, a Wyatt Company consulting group in Brussels. Company cars also serve as a status symbol, a visible sign of where an executive stands in his organisation, he says.

A recent ECS survey covering almost 100 West German companies *shows that their chief executives* overwhelmingly ride in Mercedes-Benz cars, with the Mercedes 280 SE, 260 E, 230 E and 300 E the most frequently mentioned, respectively.

But chief executives in West Germany's chemical and pharmaceutical companies, as well as those heading food industry concerns, opted for the BMW 735i and 725i luxury limousines.

The competition at the top is getting tougher as the world's car market shrinks. West German car companies are expected to produce four per cent fewer cars this year, but still about 4.2m units.

Volkswagen's Audi subsidiary, whose 100 model is one of the favourites with middle management, is to introduce a new luxury car featuring an eight-cylinder engine this September.

The Audi 90 2.2E

At the top of the tree, Mercedes claims its star still shines, but its rival, Bayerische Motoren Werke (BMW), has definitely stolen some of its shine. With the introduction of its new 7-series models in late 1986, BMW quadrupled its top-of-the-line limousine sales in 1987, *even while the sales of Mercedes S-class cars dropped 26 per* cent.

"We have managed to overtake Daimler-Benz in the S-class. This year we will sell more cars in this top category than Daimler-Benz," says Mr Hans-Peter Sonnenborn, BMW sales executive, referring to the German market.

The 7-series is acclaimed by many motor magazines and car testers as one of the best cars made. The 12-cylinder model (750i) needs a speed limiter to rein it in at 250 kilometres per hour, and there is an apparent market for it.

BMW expects to sell more than 20,000 of its top-of-the-line 7-series cars in West Germany this year, about the same as in 1987. But in the first four months of 1988, sales were up 24 per cent compared to the same period last year, Mr Sonnenborn says. BMW claims its 7-series will capture 45 per cent of the country's luxury executive car market in 1988. "It's not the speed that counts, but the engineering achievement of producing a 12-cylinder motor, the first by any German car company *in the past five decades*," according to Mr Reiner Eigenstetter, economist at Bayerische Hypotheken und Wechsel Bank (Hypobank).

"There's a lot of prestige involved, which is very helpful to BMW. The image of the 7-series lends itself to the whole line. So even if its volume of sales is not that important, it's a shining technical achievement," he says.

Last year 56,000 of the 7-series cars were built, about 12 per cent of all BMWs made. BMW followed that up with its new 8-series introduced this year. With first-year production of the new model set for 65,000, it is now sold out until April 1989. It, too, was aimed at the executive car niche.

"This market is irreplaceable. We, the German auto companies, especially Mercedes and BMW, would never allow an outsider, especially the Japanese, to break into this market. A company chairman is a decisionmaker, and our exclusive marques can't give up this market," says BMW's Mr Sonnenborn.

There is even a place for Jaguar, he admits. Some German customers "like a lot of wood and the Old England tradition. Plus Jaguar has made tremendous strides in quality improvement."

"But," says Mr Eigenstetter, "it just wouldn't do for a German company chairman to pull up to a gathering of executives in a British-made limousine. "Jaguar has a relatively solid customer base here in West Germany. They're for architects and dentists, but not for company chairmen."

That used to be the virtual sole preserve of Mercedes-Benz until BMW brought out its new models. In 1987, there were 19,250 new Mercedes-Benz S-class cars registered in West Germany, down from 25,780 registered a year earlier. But Mercedes makes about 100,000 of its S-class cars, which sell well overseas, with the United States and Japan the leading export markets.

"No doubt we are the world leaders in this class, and the 300 SE is our major model," says Mr Hans-Georg Kloos, Daimler-Benz spokesman. "In the top category we have the leading position in Europe and the world."

Obviously Mercedes is not prepared to continue losing customers to BMW's new models. But the introduction of a new S-class, expected in 1990, will not be rushed, considering the start-up problems reported when Mercedes' middle-range models first came out a few years ago.

The new S-class model is said to feature large glass areas, using double-paned windows for the first time to help reduce the "greenhouse" heating effect. Mr Kloos will say only that new models are "in the pipeline."

Mercedes has another winning argument in addition to its high technology engineering - the high resale value of its used sedans.

"This is a good selling point, especially for executive cars. They are normally replaced every three or four years," Mr Kloos says.

This rational argument coupled with the emotional factors of linking one's status to a car recognised for its quality has kept West Germany's executive *cars ahead of the competition.* Mercedes alone has 8,000 people employed in its automotive research divisions.

The vast resources put into automotive research and development by West Germany's renowned executive car manufacturers is the simple dictum of the Autobahn: it's hard to overtake someone who is moving along smartly and never slackens the pace.

That well matches the driving style favoured by many German executives travelling on the Autobahn. When you have the best, full speed ahead is the only way to go.

Dennis Phillips

The UK

Very healthy market

THE UK's State-owned Rover Group could hardly have had a healthier market into which to launch its latest executive car, the 800 Fastback, last month.

UK new car sales continue to embarrass the majority of motor industry analysts who at the beginning of this year were forecasting a downturn from the record 2.014m units of 1987.

By the end of May some markets on the Continent were starting to show signs that the long Euro-boom in car sales - which reached a record 12.35m units last year - may be coming to an end. But in the UK sales were up by a further 10.4 per cent for the first five months of the year.

Nor was this the result of a start-of-year sales bonanza gradually losing steam, as on the Continent. For sales were up by nearly 11 per cent in May itself compared with the same month a year ago. Executive cars, those typified by the Ford Granada, Rover 800, Vauxhall Carlton and above, have been enjoying a larger than average share of the boom over the past several years.

According to analysts DRI Europe, the UK's executive car market grew in 1986 by 9.3 per cent, more than three times the 2.7 per cent growth enjoyed by the overall market, and by 11.2 per cent last year, compared with 7 per cent for total new car sales.

This year, while DRI is forecasting a very slight drop in total new car sales, to 2.04m vehicles, *it predicts a further increase in* executive car sales of 4.43 per cent.

In unit terms, that represents 259,000, or just under 13 per cent of the total.

DRI's definition of what constitutes an executive car is fairly wide, for it includes not just luxury cars such as Rolls-Royces and Bentleys, but sports and sporting cars such as Lotus models and even Toyota's mid-engined two-seater, the MR 2.

However, in a buoyant economy where competition for skilled executives is leading to much greater choice in cars to attract or retain staff, vehicle size has become only one criterion of what makes a "status" car, with performance and styling assuming greater roles than hitherto.

This is exemplified in the popularity among younger executives inparticular of cars such as the Volkswagen Golf GTi which in 14-valve form, for example, costs substantially more than even L versions of the Ford Granada and similar executive cars.

A buoyant market is needed, however, by Rover Group, whose sales of the Rover 800/Sterling executive car range so far have failed to live up to expectations.

When the first 800 saloon models were launched two years ago, the launch itself was admitted by then-incoming chairman Mr Graham Day to have been "a disaster", with not enough cars available and an undue emphasis on the most expensive Sterling model misleading much of the public into thinking the 800 was primarily a Jaguar, rather than Ford, Vauxhall or even BMW rival.

Since then, Rover has worked hard to rectify the marketing mistakes and, with the help of sales in the US, take output closer to its original target of 1,500 units a week, or 60,000 a year.

However, even with the production build-up towards the launch of the Fastback variant, output of all 800s at Rover's Cowley plant was running at 1,350 units a week, compared with a double-shift capacity of 1,800-2,000 units a week.

This partly reflects a disappointing performance in the US, where sales through Arcona, the distribution network set up specifically to market the cars under *the Sterling badge (there is no* mention of Rover) have reached little more than two thirds of the target.

Last year, using DRI's definitions, Rover captured 27,400 executive sector sales, representing 11 per cent of the sector's total. That was well up on the previous year's 12,600, when sales of the Rover SD1-replacing 800 were only just getting under way.

But this is well down on Ford, whose Granada and Scorpio models accounted for 35,100 sales, or 14.2 per cent.

Of the other volume makers, Vauxhall, benefiting from its new Carlton and Senator ranges, saw its executive sector sales jump to 24,600.

The fourth volume manufacturer with a UK base, Peugeot Talbot, achieved only 4,200 sales with its aged 505 and 604 models.

But the situation is expected to change markedly over the next year as higher specification versions of its already successful new 405 medium saloon go on sale, followed by an all-new executive saloon, the 605, rumoured for possible unveiling at this autumn's Paris show.

Even Ford's performance, however, looks relatively mundane when set against that of some of the more specialist executive carmakers. Its sales last year, for example, could not match the 37,525 of BMW, while Mercedes was even treading on Vauxhall's heels with sales of 21,365 units.

And if sales of Volvo's large 200 and 700 Series cars are combined with those of its new sporting 480ES coupe, it is a potential contender for the UK executive car market leadership, based on DRI's definitions. It sold nearly 32,000 such cars last year, despite sales of the 480ES model only just getting into their stride.

BMW, for one is confident that this year it will exceed last year's sales by at last a small margin at 38,000 units, although it believes that if the market stays buoyant until the end of the year 40,000 could be in sight for the first time.

Mr Hans Tauscher, managing director of Mercedes-Benz UK, also believes further modest growth is possible, while Volkswagen's up-market sister company, Audi, is looking for a reversal of the decline in its UK fortunes, helped by new models such as the latest Audi 80 and 90. Sales last year fell to 16,830 from over 19,000 a year earlier.

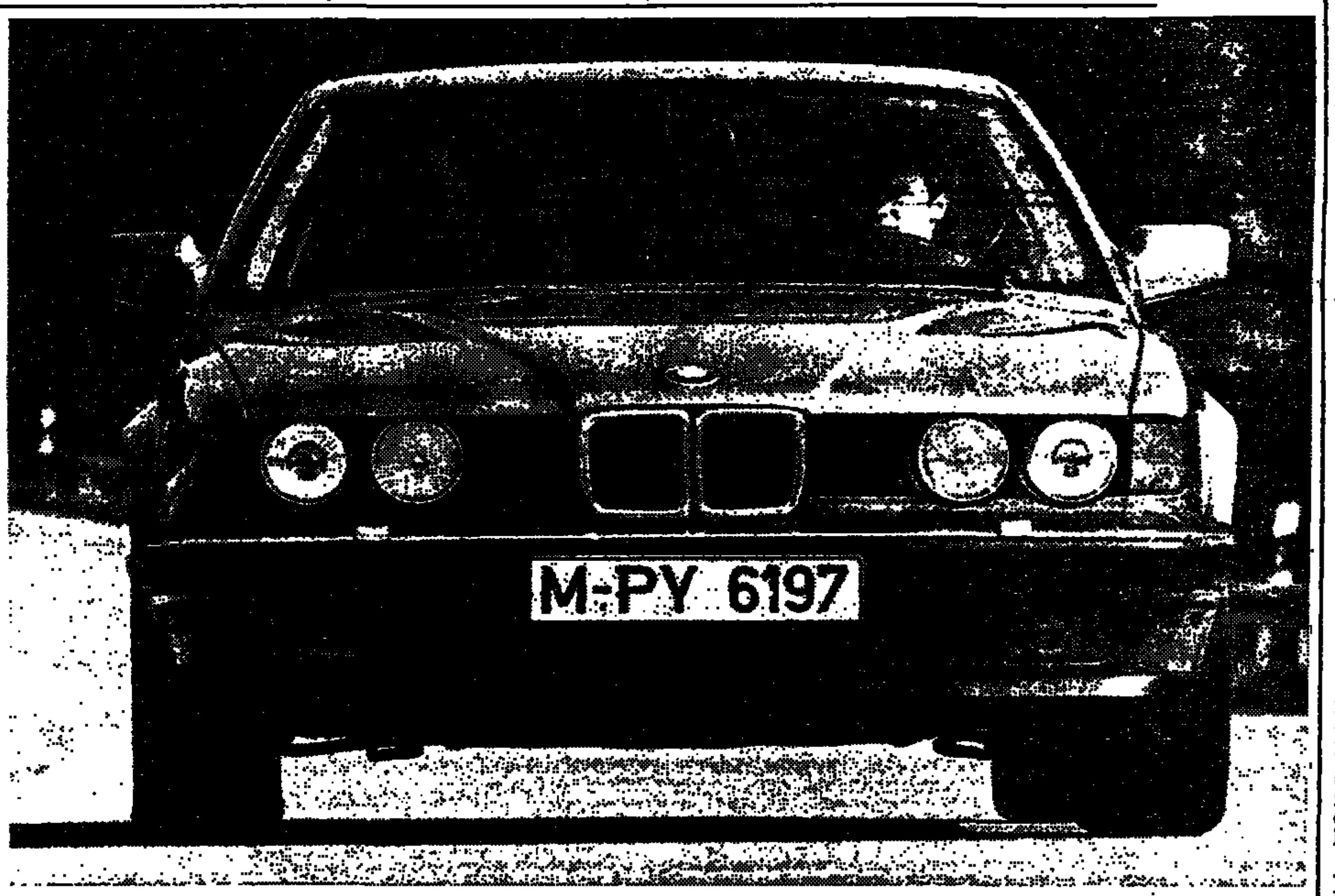
With Japanese manufacturers constrained to a total market share of 11 per cent, it is the West German manufacturers which most concern Rover, and to whose image it most aspires.

Apart from proclaiming its Fastback flagship, the 140 mph Vitesse, as the "fastest Rover every built" (except for racing), its advertising for the car is an unblushing reversal of Audi's Vorsprung Durch Technik pitch in the UK.

With an entirely German script, it shows a West German executive impressing colleagues with his new British car - in the heart of Mercedes' and Porsche's home town of Stuttgart.

John Griffiths

Driving far at high speeds



The BMW 7-series: BMW has yet to break through with government Ministers - unless they come from Bavaria

NO ONE DOUBTS that Mercedes knows how to build quality cars. But a perhaps legendary tale links at least part of the Stuttgart company's success to Chancellor Adenauer's hat.

It seems that just when the first cabinet of the new Federal Republic of Germany was to decide which car should serve as their official transport, Konrad Adenauer discovered that he could get into a Mercedes without taking off his hat. The Cabinet opted for Mercedes, and local officials and executives throughout Germany followed their lead.

"BMW has still not broken through, especially with government *officials*," says economist Reiner Eigenstetter of Bayerische Hypotheken und Wechsel Bank when asked about the preference of top government decisionmakers.

Unless of course they come from Bavaria, where government Ministers insist on using Munich-made BMWs rather than any car coming from neighbouring Baden-Wurttemberg.

Bavaria's Christian Social Union ministers now serving in Bonn's coalition government also opt for BMW sedans. In West Germany's decentralised economy, executives can spend a lot of time on the road between Hamburg and Munich and points in between.

Thus the top speed of a car, and the durability of its engine and other mechanical parts at 150 kph-plus speeds are key considerations when choosing it.

German car companies modestly point out that their executive car models have "adequate power reserves for any situation," and that the top speed is 200 kph-plus.

No car in recent memory has had such an impact on the luxury executive car class as BMW's new 750i model. Its powerful V12 engine makes it faster than most other cars on the road. BMW claims 40 per cent of the buyers of its new 7-series cars are former Daimler-Benz customers.

Independent businessman Heimo Kramer knows some of his executive friends have made the switch and now swear by their new BMWs. But, a Mercedes driver for the past 25 years, he is sticking with Daimler-Benz.

"For one thing, the new BMW can reach about 250 kilometres per hour, and I was afraid I'd be tempted to try it. But 200 kph is fast enough for me. And the main thing is, after three years, a Mercedes retains its high resale value," says Kramer, who logs about 70,000 kilometres annually, most of it in the Autobahn fast lane.

With this mileage, the comfort of the driver's seat is another important factor when choosing a new car in Germany. "I spend more time behind the wheel than in my living room," he says, adding that he has ordered a special orthopaedically-designed seat for his next Mercedes.

But not every executive is interested in driving the same Mercedes sedan which Herr Schmidt or Mueller down the block are also driving. Stockbrokers and private consultants may prefer something out of the ordinary, like a Porsche 911 Turbo.

This is the kind of car which clears the fast lane of the Autobahn just by suddenly looming in the rear-view mirror of the cars ahead. Of the almost 35,000 cars sold in West Germany for more than DM65,000 last year, 17 per cent were Porsches.

The average Porsche buyer is 45 years old, is usually male (98 per cent), an independent businessman (80 per cent), married (80 per cent), and likes sports such as tennis (46 per cent), skiing (32 per cent), sailing (26 per cent) and golf (12 per cent).

But then a Porsche is not really your standard executive car.

"We never even use the term 'executive car.' We build a sports car in the exclusive class," says Ulrich S. Heyl, Porsche's new sales director for West Germany. "Whoever buys a Porsche must be an achiever, must be successful."

But it might be inadvisable to buy such a swift means of transport if you don't really care to overtake whoever else may be driving along the Autobahn.

Traffic psychologists found that some Porsche owners could not cope with the expectation, or peer pressure, to drive faster than anyone else on the road. You really have to be self-assured to drive a Porsche slower than others on a no-speed-limit highway, especially when every other driver glances over to see what the "trouble" is.

Not every executive car made in Germany comes from exclusive up-market car companies. Volkswagen sold 44,170 of its Audi 100 models in the home market last year, and almost 150,000 of its new, sleek aerodynamic-looking Audi 80/90 models.

The Audi 200 Quattro, with its four-wheel drive making it a favourite with rally drivers, also qualifies as an "exotic" executive car. And Audi has just announced plans to introduce a V8 engine for a luxury sedan this September.

The mass market carmakers face difficulties in Germany convincing executives that their top models are on a par with Mercedes or BMW. But they cannot ignore the executives since such cars establish a certain image and "express your social status," says Karl Mauer, spokesman for Opel.

"Opel's top-of-the-line Senator model is basically a luxury version of the Omega, but longer and with leather seats. Owners also get a Senator Card, offering reduced rate insurance and discounts at certain hotels."

High technology engineering is as important as the styling. Opel's Senator offers an electronically-adjusted suspension system, ABS (anti-blocking brakes), and plans to offer an improved engine soon.

"A Senator driver wants a sporty, hi-tech car, but maybe he thinks it would be inappropriate to pull up at his customers driving a big Mercedes 300. For the executive who can't afford to impress his customer in the wrong way, we think this is a sector with a future," says Mr Mauer.

Executive cars are the image setters for every model line. As decisionmakers, the executive buyer also affects other purchase decisions, such as his family's second car. Opel's Senator and Ford's Scorpio are not trying to replace Mercedes or BMW as an executive's chosen car.

But even the mass market makers realise the necessity to offer something special to this especially influential group of customers.

Dennis Phillips

France

Rivalry at home

COMPETITION IS expected to intensify sharply in the French executive car market in the next 18 months, as foreign car imports become increasingly aggressive.

But more significantly, Peugeot, the private car manufacturer embracing the Peugeot and Citroen marques, is preparing to launch next year the replacements of both the top of the range Citroen CX and Peugeot 505 models in an effort to snatch back the lead in this market from Renault, its state-owned domestic rival.

Peugeot, which had long dominated the upper end of the French car market, was overtaken by Renault - which had had concentrated largely on producing high-volume, low-cost smaller cars - when the state group took the bold decision to enter the upper end of the market with its R25 four years ago.

The success of the R25, which was pitched against not only the Peugeot 505 and the Citroen CX but also against foreign imports such as BMW, Mercedes-Benz and Lancia, surprised even Renault.

After peaking at 5.8 per cent, the R25 has managed to hold on to 2.5 to 3 per cent of the overall domestic market. Its market share last year totalled 3.1 per cent, and in the first quarter of this year it was still in the lead of its sector with 2.7 per cent of the overall French domestic car market.

"Before the arrival of the R25, we only had about 25 per cent of the upper segment of the French car market with the R20 and the R30," says a Renault official. "Today we still command about 45 per cent of that market segment."

In contrast, the private Peugeot group with its older Citroen CX and Peugeot 505 models now have only about 20 per cent of the domestic executive car market.

However, the private group clearly expects to increase its market share significantly with the launch next year of its new top of the line Citroen and Peugeot models. The new Citroen CX replacement, code-named DX, is due out at the beginning of the year, while the Peugeot 505, code named Z-6, is due to be launched during the second half.

The new models are likely to erode severely the leading position of the older R25 and help Peugeot in its efforts to recapture the lead in this particular market. Indeed, Peugeot's strong financial recovery during the last few years has been largely the result of the company's success in bringing out popular new small and medium-range cars, such as the Peugeot 205 or the Citroen BX, coupled with strenuous general restructuring policies.

Peugeot's 505 V6: seeking the lead

In an effort to limit the damage and fight off the imminent challenge from its private rival, Renault has just completed an extensive facelift of the R25 which has given the model a new front bonnet and other improvements.

Even so, the R25 inevitably will be handicapped by its age when the two new top range models of Citroen and Peugeot come on the French executive car market, which itself has been shrinking over the last five years.

The private group expects to increase its market share significantly

Indeed, while executive cars accounted for about 9.5 per cent of the overall French car market five years ago, today the figure is only about 8.5 per cent.

Peugeot also hopes that its new top of the line models will not only continue to sustain its high level of European sales but will finally help boost its disappointing sales in the US market.

For its part, and although Renault withdrew from the US market last year when it sold its controlling stake in American Motors Corporation (AMC) to Chrysler, the French state-owned group continues to supply components to its former American partner.

The sale of its AMC interest last year was part of Renault's overall recovery strategy of recentring the company on its French and European car manufacturing operations. This strategy is now paying dividends.

The state-owned group returned to the black last year with profits of FFr 3.7bn after several years of heavy losses. Renault is also about to launch the replacement for its medium-range R11 and R9 models while its R21 model in the medium to upper range has proved both a commercial and financial success as is proving to be the new Peugeot 405.

Peugeot too has consolidated its financial recovery with net profits of FFr 6.7bn last year. The group is now expecting to report a similar level of net profits this year. However, the private car manufacturer will also be paying substantially higher taxes this year - between FFr 4.5bn and FFr 5bn - since it was able to benefit in the last two years of the carry forward of previous losses.

Indeed, in pre-tax terms, profits are expected to rise by between 30-35 per cent this year to more than FFr 11bn compared with pre tax profits of FFr 8.6bn last year.

The recovery of the country's two large car groups reflects several years of sweeping restructuring, major productivity gains, and the success of such new models as, in Renault's case, the R21, the R25 and the small Super Five mini; and at Peugeot the 205 mini, the Citroen BX medium-sized car, the new small Citroen AX and the recent Peugeot 405.

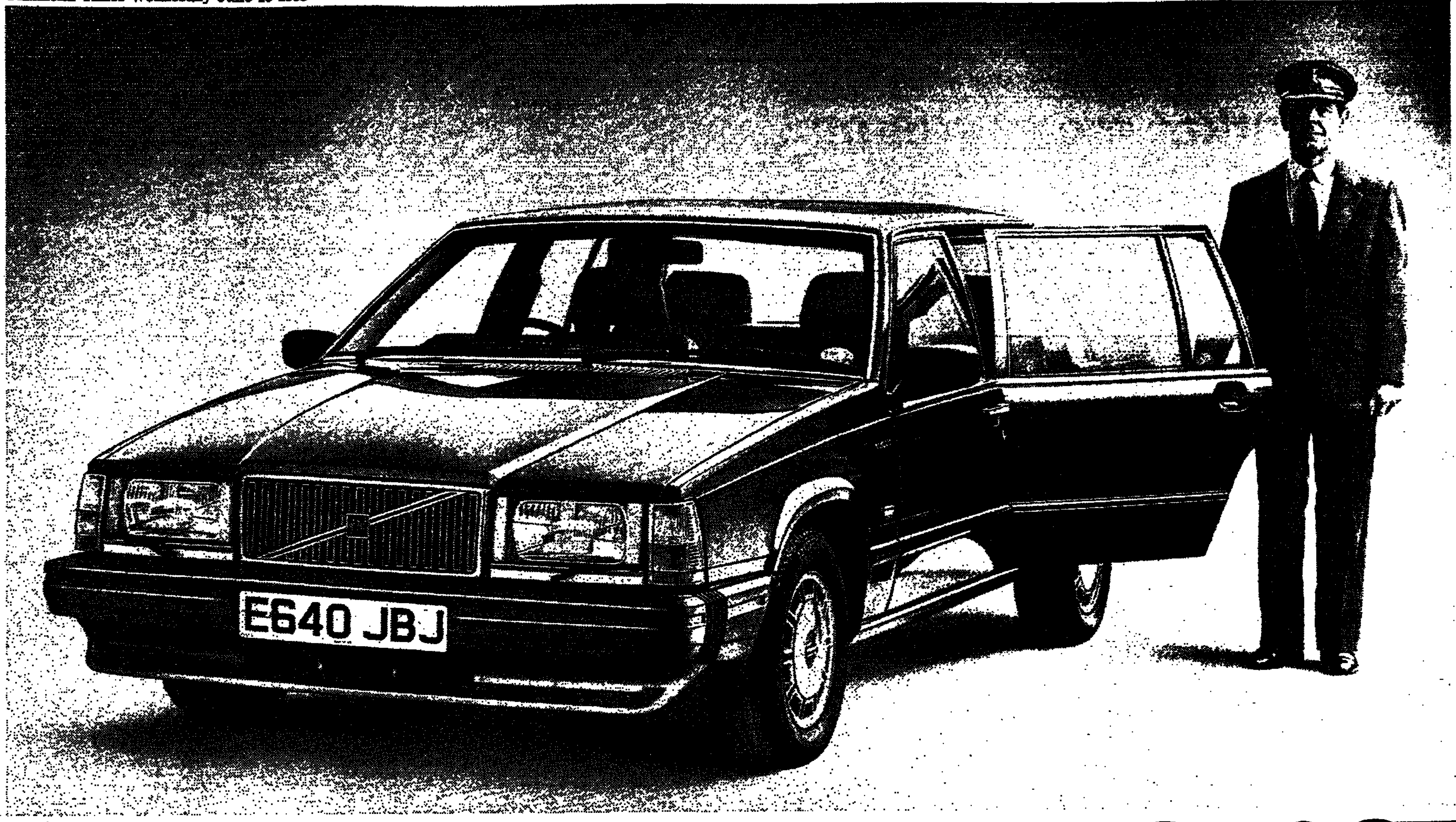
Moreover, the French car manufacturers have also been boosted by the general recovery of the French car market last year. New registrations of passenger cars and light vans rose by nearly 10 per cent to more than 2.5m vehicles.

The upper end of the market, like the rest of the French car market, was also given a big lift by the decision last year of the former right-wing government of Mr Jacques Chirac to reduce the extremely high level of Value Added Tax on new cars in France. The tax rate was brought down to 28 per cent from 33 per cent, which was one of the highest VAT rates in Europe.

However, the industry does not expect that the substantial rise in car sales last year and during the first quarter of this year can be sustained. But the two domestic car manufacturers are now in a far more confident mood to tackle a slowdown in the car market.

Indeed, both have major ambitions to expand their penetration of the European car market in coming years while continuing to improve their financial structures and domestic industrial bases.

Paul Betts



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Japan: imports from Europe have stimulated a taste for luxury

Up-market models carry wealth of new gadgets

SALES OF up-market cars are booming in Japan. Where once the Japanese bought small, boxy, economical cars, they are now rushing for the most expensive ones.

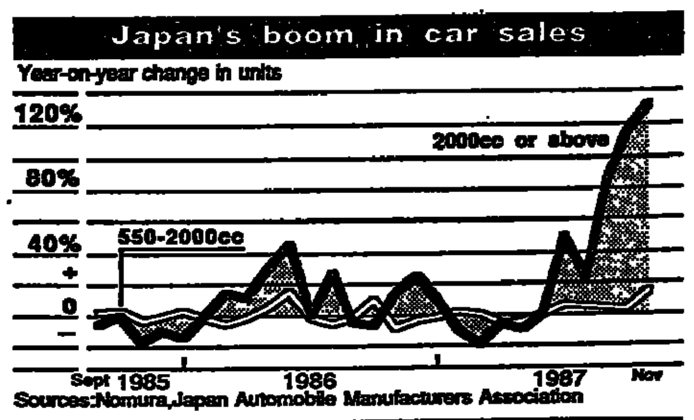
Indeed, most of Japan's classic executive cars are now no longer what they used to be. All the leading automakers have been updating and improving their executive cars, with re-launches of old models and announcements of new models taking place almost monthly in Japan.

This massive re-design was long overdue. As larger cars are taxed more heavily than smaller ones in Japan, most businessmen had been reluctant to trade-up to the more expensive cars. "It wasn't worth it, they were a little frustrated, because the more expensive cars used to look just like the cheaper ones, only bigger," says a Nissan official.

All that has changed now and customers are gratefully snapping up the bigger Japanese cars. Sales of Toyota's re-launched Crown, now nearly as wide as the Mercedes-Benz 300E, were so high in January that the up-market car outsold every other car on the market that month.

The move to luxury has been spurred, in large part, by Japan's growing taste for imported cars, primarily from Europe. In 1987, sales of imported cars jumped by 43 per cent to nearly 100,000 units, with sales of Mercedes-Benz and BMW cars up by 36 to 38 per cent. Overall, sales of cars with engines exceeding 2000cc have been booming in Japan.

The newly-introduced models, such as Toyota's Corolla and Crown, Nissan's Cedric and Bluebird, Honda's Civic and Prelude, Mazda's Capela and Mitsubishi's Galant and Mirage, are all the top-selling models for each of the companies, according to Nomura Securities.



Of these, Nissan's Cedric/Gloria Cima and Toyota's new Crown, have made the biggest splash. Nissan has needed the Cima more than perhaps any other company. Toyota, with close to 50 per cent share of the domestic market, has been sailing confidently through the era of the high yen, thanks in large part to the strength of its domestic dealership network.

Nissan, however, with most of its domestic dealers in losses and its overall earnings going sideways, has needed a big winner badly. The Cima, with its entirely new, rounded body design, its ceramic turbo-charged 3-litre V6 engine, is proving to be that winner.

Originally targeted to sell about 3,000 units a month, the Cima hit 5,300 units in February and notched up 6,500 sales in March.

By contrast, the Nissan President, which sells in about the same price range, has been chugging along with fewer than 100 sales per month in the same time period.

Thanks to the increased interest in up-market cars, the major automakers are falling over themselves to add the newest electronic gadgets to their cars. Almost all the new models have four-wheel drive, an option which is somewhat questionable as most Japanese drivers spend their time in traffic jams, not on mountain roads.

Other standard items are electronic air suspensions systems, wing mirrors which fold back to allow for Tokyo's narrow streets and rack and pinion power steering systems.

In the more exotic extras category Toyota has come up with what it claims is the world's first navigational system, which it is offering on its upmarket Crown. Using a compact disc read-only memory system, this navigational aid is based on 1800 maps of Japan, down to street level. It uses magnetic fields and acts as a compass, helping to advising the driver which way to turn in Japan's complicated road systems.

The navigational system costs Y350,000 and "is not perfect by any means," according to Toyota. Nonetheless, 60 per cent of the best-selling model of the Crown, the Royal Saloon-G, are bought with this option. Toyota explains that the navigational system can fail when the car goes under a metal bridge or railroad tracks, as this action magnetises the entire car.

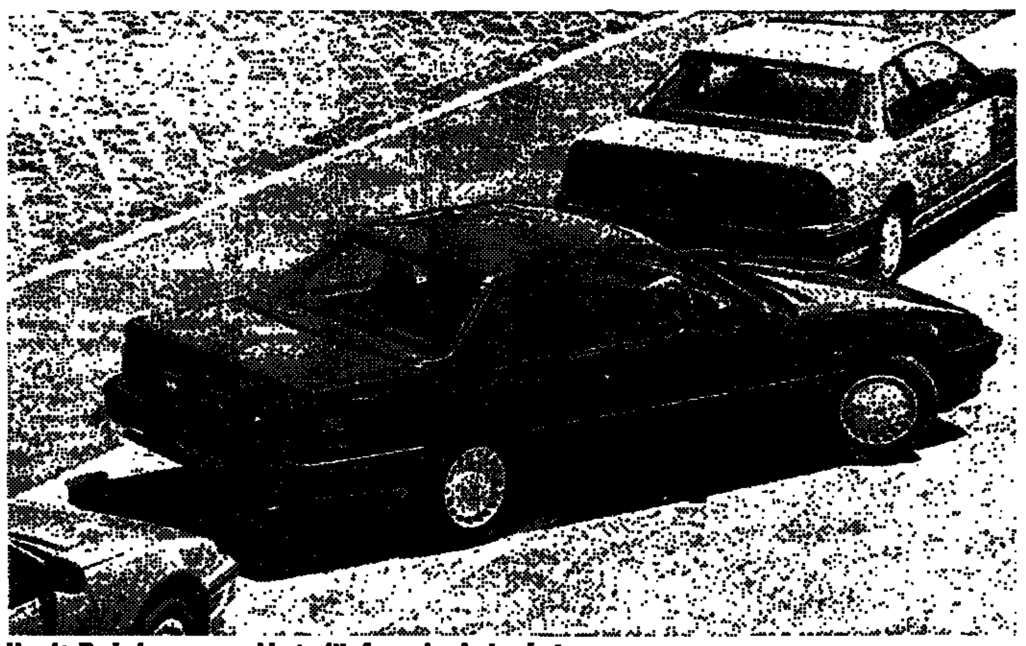
The navigational aid is the most glamorous part of Toyota's multi-vision system for the Crown. Basically, the multi-vision system allows the driver to watch 8mm videos, watch television or listen to the radio at the touch of a button.

To prevent accidents, the television/video system automatically shuts off when the car is put into gear to be driven. This immediately prompts the question of what is the point of having such a system in the front seat. To this, Toyota explains that it can be "enjoyed" during traffic jams, or when the driver is parked, waiting to pick someone up

Following the Crown, Toyota is planning to launch a new 4000cc car, Lexus, in the US next year. The company has yet to decide whether the new luxury car will be available in Japan, but given the strong demand for upmarket executive cars, it can only be a matter of time before Toyota sells its latest luxury product in the expanding home market.

Carla Rapoport

Snags with foreign cars



Honda Prelude: easy parking with four-wheel steering

BUYING A CAR anywhere can be fraught with difficulties, as Yoichi Tsuchiya, president of Sanyo Securities, found when he decided to buy an imported car.

Illustrative of the way business is done in Japan, Sanyo Securities was an underwriter in a public offering by Jax Inc, a retailer of imported and used cars, which listed its securities on the OTC market.

After Sanyo Securities co-underwrote the share offering, Mr Tsuchiya decided to buy some Fiat cars, which are imported by Jax.

"With the high yen, foreign cars have become much cheaper," he says. "I bought three Fiats, one each for myself, my brother and my children.

"There are some things that I noticed after buying the car. In Japan, there is a classification of cars into large and small vehicles and so on; the licence and number plates are different, and tax and insurance is also different.

"Foreign car companies claim that it puts them at a disadvantage. With Fiat, with a small engine, and compact body size, because it is 6cm bigger than the average size of Japanese car, it is classified as a large car.

"Just because of the six centimetres extra width, the tax is higher and the insurance premium is higher. In some cases, driving on the expressway, you have to pay 50 per cent more toll.

"My impression is that it is very uneconomical. There were so many problems during the six months that I had to send it many times to the garage for repair, although it was a new car. For example, the boot would not open, and at one time the transmission stuck.

"These problems are unthinkable with a Japanese car. So after a little over a year I gave up and bought a Japanese car. I share a Toyota Soara with my wife, and my daughter drives a Toyota Celica.

"What I would say is this: if someone wants to sell cars to the Japanese, they should study the conditions in Japan, the regulations, the climate, and so on, and think of ways so that Japanese can drive the car comfortably; otherwise foreign cars will not sell in Japan."

Despite the problems encountered by Mr Tsuchiya, imports of foreign cars into Japan have boomed over the past two years, as the rise of the yen has made imports far cheaper.

But that is only a part of the reason; changing tastes and lifestyles have helped to expand the market.

"In Japan," says Mr Luder Paysen, president of BMW Japan, "there has been a clear-cut change in the social environment. "In the past, it was a very homogeneous society but now it is becoming more diffuse."

This is particularly true of younger people, according to Mr P.J. Woods of Austin Rover Japan. "There is a trend among the population to look for European products as having a big cachet, as being authentic, with centuries of history."

But turning that interest into real demand for imported cars is the challenge, and recent developments in the domestic new car market may restrain the absolute growth of foreign imports into Japan for a time.

In calender 1987, imported cars rose 40 per cent to 97,500 units. This year, most importers expect it to rise by a further 35 per cent to 13,000 units. The common belief among the importers is that growth will continue at around 30 per cent a year until the level of total imports reaches 300,000 units annually, which is expected in the first half of the 1990s.

That may prove optimistic, however.

Hit by the ravages of the yen on their own car exports, the big domestic carmakers have gone aggressively upscale. Nissan was the first to pitch to the emerging demand for larger cars with its new Cima model, launched earlier this year.

"For the past two years or so," says Mr Paysen, "our competition in this market was the other imports. Always imports held a 20 to 30 per cent share of the over two litres car market. But now, we must compete directly with Toyota and Nissan.

"There is a surging trend for upmarket cars at the moment. The Nissan Cima is selling 4,000 units a month, and Toyota the same."

The sudden popularity of large cars runs counter to the long dominant trend in the Japanese market for smaller cars. Larger cars were seen as gas guzzlers, and were bought almost solely by *yakuza* (gangsters). But with the car manufacturers honing their skills on the large car market domestically, they are preparing for an onslaught on the big car market worldwide.

"The Japanese makers recognise that they cannot sell more cars in the US and continue to profit in that market. So they have initiated a strategy worldwide of making upmarket cars, and they have initiated it first in their home market before taking it overseas.

"Now, with Japanese makers moving further into this (2 litres and above) sector, it has broadened the entire market."

Nissan's three litre Cima was launched in January this year. It retails for over Y4m, more than double the price of a normal compact in Japan. The top model goes for slightly more than Y5m. The targetted market is small business owners - the same market targetted by foreign car makers.

Despite the much keener competition that has resulted following the entry of Japanese car makers into this sector, importers of foreign cars argue that by launching such up-scale models, they have broken the barrier that has limited expansion of the big car market in Japan.

"European makers used to make a big fuss about the higher taxes on cars of more than two litres," says Mr Wood. "But the big effect is psychological. With Toyota launching the new Crown, and Nissan the Cima, this has resulted in a massive increase in demand for large cars."

Mr Paysen says: "Seventy per cent of our cars are company cars. Our clients include doctors, dentists and other professionals, and we have enlarged from this to include owners of small-sized businesses, and Japanese yuppies."

With foreign groups facing stiffer competition from domestic makers, they are now targetting the corporate car market to try to consolidate their position in the domestic market.

"Where we have not succeeded is in the real corporate car market. We have an excellent product, but all major corporations or business groups have connections somehow to the big Japanese makers. They don't demonstrate the corporate image, they just buy the group car."

Brian Robins

Italy: new designs have become popular with business users

Powerful marketing elbows foreigners out of the lead

THE AUDIENCE at the annual assembly of Confindustria, Italy's top business organisation, is as comprehensively star-studded as any Oscars night in Hollywood.

The cast, of course is different, but anybody who is anybody in the world of Italian business and government troops out to EUR - the satellite town outside Rome planned on a suitably grandiose scale by Mussolini's architects - to hear the Confindustria president deliver business' view on the state of the nation.

The occasion offers a unique opportunity to study preferences in what the Italians call *auto blu* - the cars which are chosen as much for their value as representational symbols as for efficiency and comfort.

Outside the Confindustria building in Viale Turpini, shining ranks of expensive machinery are double and triple parked, with cigarette-smoking drivers either lounging proprietorially against their charges or - an increasing phenomenon this - sunk deeply into the backseat conducting absorbed conversations on the radio telephone.

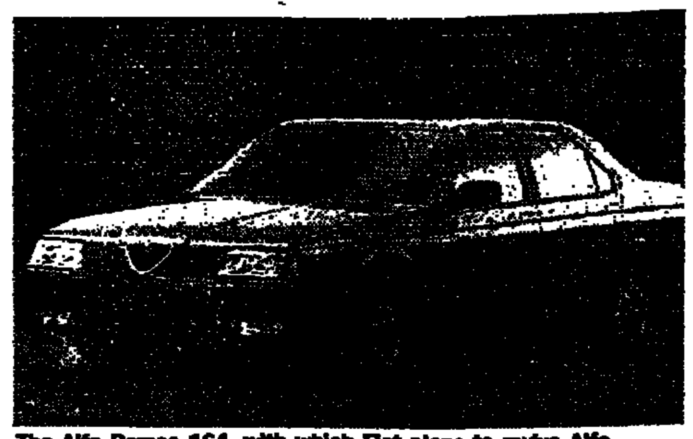
During the last few years, the physiognomy of these cars has changed substantially. An observer in Viale Turpini in 1984 would probably have noted that a majority of the vehicles transporting private-sector businessmen to EUR would have been imports.

Among these, the strongest probability was that they would have been BMWs or Mercedes. In that year alone, these two marques captured just over 40 per cent of the market.

The Italian share of sector E - in which the majority of executive cars are concentrated - was fractionally over 37 per cent of which 24 per cent was Alfa Romeo. The absence of strong contenders from the Fiat-Lancia stables kept their contributions down to 13.7 per cent.

Anyone wanting to take a reading of the prosperity of Italian business would have noted that segment E amounted to 90,265 vehicles or 5.51 per cent of that year's total market.

The same observer at this year's Confindustria gathering in late May could not fail to remark a major change in the names of vehicle badges. To start with, a significant majority were Italian, reflecting the fact that Fiat Lancia and Alfa Romeo have taken no less than 66.8 per cent of sector E sales in the first four months of the year.



The Alfa Romeo 164, with which Fiat plans to revive Alfa

Our observer would have had to search rather diligently for a BMW, the company now having to content itself with a comparatively modest 12.8 per cent. The proportion of Mercedes would be about the same, some being the 190 model which is taking 9.3 per cent of the market but rather more being larger 200 and 300 series which come from the higher-priced sector F (in which the German producer holds 44.7 percent of all sales).

Other foreign presences would have been exceedingly modest, and substantially more so than they were in 1984. Renault for example, which captured 4.9 per cent of segment E four years ago, has slipped to 3.2 per cent in the first four months, Volvo from 5.84 to 2.6 per cent, Audi from 5.0 per cent to 0.6 per cent and Peugeot from 1.9 per cent to 0.6 per cent.

Sector E of course does not give the full picture, since a number of higher-priced models are classified in sector F which last year accounted for 1.7 per cent of the total market or 32,795 cars. Here Volvo was particularly strong with close to one third of the market selling 10,361 of its 740 and 760 models.

The Swedish company was outsold only by Mercedes whose total of 200 and 300 series sales reached 12,019. Saab, Citroen and Maserati largely accounted for the remainder.

What has been happening in sector E is that although foreign manufacturers have updated their ranges and introduced new models, they have been elbowed out of the front ranks by new designs from the Fiat empire marketed with all of the considerable power which Turin can deploy.

First came the Lancia Thema in 1985, then the Fiat Croma in 1986 and finally the Alfa Romeo 164 in the autumn of 1987. All designed around the same floor-pan - shared with the Saab 9000 - these cars appear to have found a very ready market among Italian business users.

In step with the substantial increase in their profits over the last four years, Italian managers have moved into sector E in growing numbers, so that the group took nearly 7 per cent of the total Italian market last year.

Their preferences partly reflect a strong "buy Italian" mentality but also an attraction to something which is completely new. In its first year, the Lancia Thema's novelty value helped carry it to 22.4 per cent of the market, while following its debut, the Croma took 29.1 per cent in 1986.

One industry executive believes that fashion is a powerful factor determining whether a new car catches on in Italy - and also how quickly it fades. "As soon as the local butcher is seen driving a secondhand version, then a model can go very quickly out of fashion."

As a novelty in the market, and quite irrespective of its merits, the Alfa 164 is now rolling out of the showrooms in impressive numbers. Nearly 14,000 orders have been booked so far this year and 10,000 had been delivered by the end of May.

Paradoxically, the success is a mixed one for Fiat's Alfa Lancia subsidiary. While the Thema's sales and market share rose handsomely in 1985-86-87 from 22,480 units (22.4 per cent) to 40,715 (30.1 per cent), the figures for the first four months of this year suggest that the 164 is stealing sales off the Thema.

The 1988 figures show that the Lancia's share has fallen to 23.8 per cent while that of Alfa, which stood at a puny 6.3 per cent in 1987, have already climbed to 13.9 per cent.

This is something that Fiat was probably prepared for, although before the launch of the 164, Vittorio Ghidella, the managing director of Fiat Auto, was confidently maintaining in public that it would not happen. In fact, he took deliberate steps to try to avoid it.

After Fiat took over control of Alfa at the beginning of last year and Mr Ghidella took his first look at the 164, which was then in its late development phase, and concluded that it far too closely resembled the Thema in both attributes and price.

So he delayed its launch until the autumn so as to be able to make some important cosmetic changes which would more strongly differentiate the design from the Thema and justify charging a higher price than for the Lancia car.

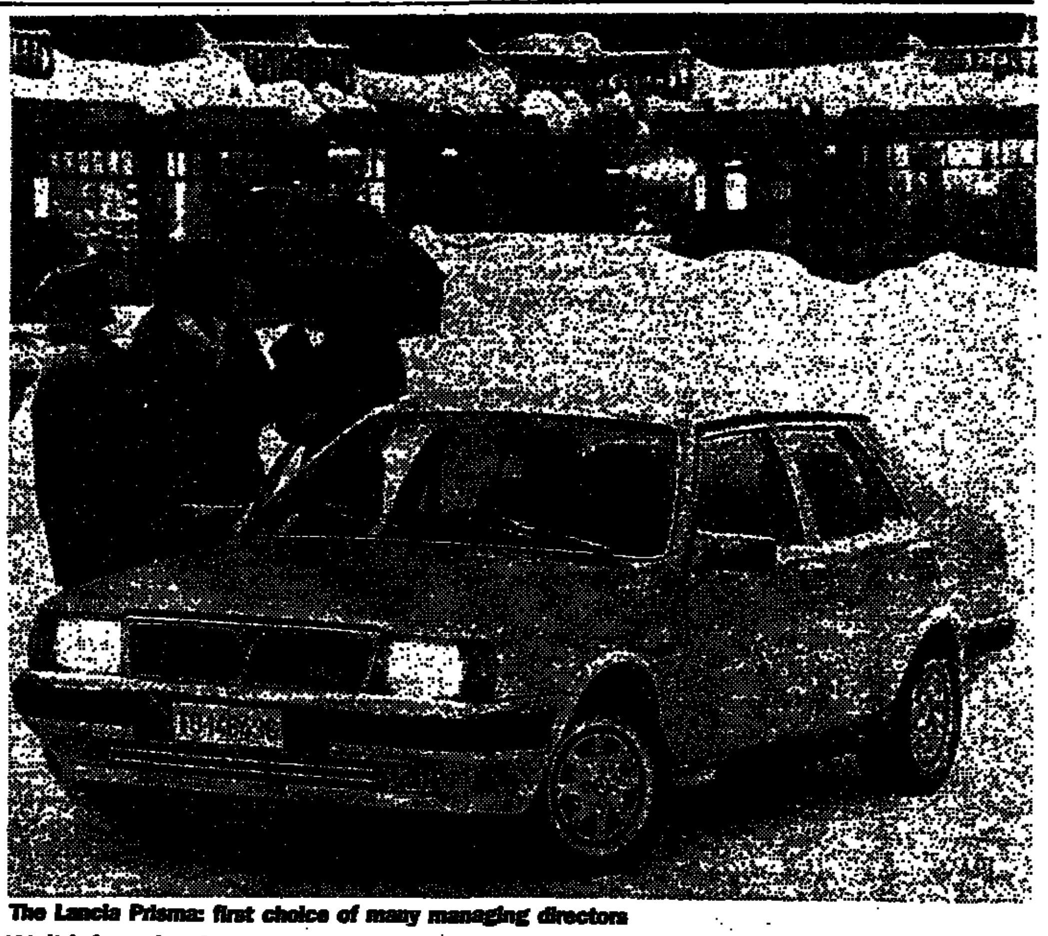
The marketing concept has been to sell the Thema as a quality car of "class", the 164 as a quality luxury car with sporting characteristics, and the Croma as a no-frills price- for-performance bargain.

Fiat are unlikely to be too concerned at the Alfa prospering somewhat at the expense of the Thema. It is a higher-priced product, is reducing Alfa's continuing operating losses and is still serving to expand the Turin group's share of the market.

Alfa-Lancia plans to sell the 164 into the rest of Europe from October and into the US from the second half of next year.

Although largely an inherited design, the model's success is crucial to Fiat's recovery plan for Alfa which involves selling 60,000 of its vehicles in the US by 1990-91. By then, the auto market will know how successfully Fiat has managed to produce its own designs for the Alfa badge to replace the existing 33 and 75 models.

A love affair with the car



The Lancia Prisma: first choice of many managing directors

NO OTHER nation has such a passionate relationship with the car. Not only are seven out of the 26 current Formula One racing drivers Italian, but it seems as though inside every Italian is a racing driver waiting to be let loose.

Even Gianni Agnelli, president of Fiat, admits that he would like to go motor racing, but that in his position it would be "ridiculous" and "unsuitable."

Vittorio Ghidella, managing director of Fiat Auto, responsible for the highly successful Uno, the Thema and the recent Tipo, which have pushed Italian cars to the top of the European market, says that cars are like clothes to Italians - a way of expressing their personality.

When it comes to discussing company policy on executive cars however, Italians are extremely secretive, preferring to talk about the Mafia or their mistress than their cars. An Italian manager knows he has made it when he gets an Alfa 164, a Lancia Thema or a Fiat Croma.

He is doing better if he has a chauffeur and a telephone; and he is at the top if he has in addition a *permesso* for the centres of cities such as Rome and Milan, where the central areas are closed to private traffic at certain hours of the day.

A partner at the Rome branch of the accountants Deloitte Haskins & Sells says that most executive cars are in the 1600 to 2000 cc range (all angling for the 2000 cc models), but rarely over. VAT rises sharply after that and the owner becomes subject to unwelcome interest from the tax authorities.

Most companies give Italian cars - for patriotic, not tax reasons - such as the Fiat Croma or the Lancia Thema. The Thema has become by far the most popular upper-middle range car, both among executives and in general.

It led the field for both foreign and home-produced cars last year, selling more than 40,000. Alfa had dropped out of the market until recently, due to the company's well-known problems while still under state control. Now, under new ownership and following the launch of a highly-attractive new model, the Alfa 164, it is becoming the managing director's first choice.

But the new Alfa is expensive and there is still a six months' delay in delivery, so it is still too early to tell how it will affect the market. Mr Leopoldo Pirelli, president of the tyre company, uses both an Alfa 164 and a Lancia Thema (with a Ferrari engine).

Mr Carlo De Benedetti, chairman of Olivetti, feels no particular loyalty to the Italian motor industry, and drives a black 16-valve Mercedes 190 or a BMW, depending on the weather, "as well as Italian cars," a spokesman adds hastily.

At Olivetti, only about 10 to 15 top executives are provided with cars, almost all Lancia Themas. As is common practice, users do not pay the road tax if the car is used only on company business, but make an agreed contribution towards it for weekend use.

Pirelli keeps a fleet of about ten cars, all Italian: Lancia Themas, Lancia Deltas, Alfa 164S and Alfettas, for the use of senior executives. The president of the state conglomerate IRI, Prof. Romano Prodi, is driven in an Alfa 164 and the director-general in an Alfa 75. The spokesman claims that these are the only two with company cars.

The president and director-general of one of Italy's largest private banks, the San Paolo di Torino, are driven to and from work in Lancia Themas (with telephones).

Cars provided for executives are company-owned: a convenient fringe benefit usually acquired under a leasing system. Road tax is calculated according to engine capacity, so that a 2-litre car pays L138,000 a year.

Diesel fuel costs about half as much as normal petrol, but the road tax is considerably heavier: a 2-litre turbo diesel engined car would pay L813,000 a year in the smaller car range, the Fiat Ritmo or the Volkswagen Golf, fuelled with normal petrol, would pay L65,000 a year and with diesel, L443,000, while a 2.2 litre turbo diesel car goes up to just under Lm.

Demand for diesel engines appears, nonetheless, quite strong, running at about 25 per cent of the total sale of the best-selling Fiat car, the Uno. Diesel fuel does provide more kilometres to the gallon, but to offset the higher road tax the user would have to do between 20,000 and 30,000 kilometres a year.

A firm of management consultants in Perugia, Asso, claim they can pinpoint not only the position in the company hierarchy, but even the department of an executive, from the car he or she drives. They examined 70 companies, with an average turnover of L450bn and staff of more than 1,000, and reckon that staff on the technical side favour Fiats (Regata, Croma and Ritmo) while personnel directors, managing directors and marketing executives favour Lancia Prismas and the Thema.

The sales side chooses the Lancia Prisma, Alfa 75 and the Fiat Croma, with a small percentage going for foreign cars such as the Opel Kadett and Ascona, the Golf and the Audi.

They calculate that Italian cars make up 75 per cent of the executive market. However, from a small private survey it emerges that while Italian executives claim they prefer Italian cars, they actually choose foreign ones when they are high enough up the company to do so.

Car telephones are a fairly new status symbol in Italy and a national network has not yet been completed. Liguria, Lombardy, Piedmont and the Veneto are the only regions fully covered (as well as major cities elsewhere). But if you see a driver telephoning down in the South, he may just be pretending on a phone that doesn't work.

These telephones certainly are proving useful, as an early leaver from a Confindustria annual review discovered. Walking out of the building, he found the chauffeurs of the ubiquitous dark blue ministerial cars all busily ringing home to get the pasta put on to boil.

Jennifer Grego

Sweden's car plants are operating at full strength

Change to sleek models

THE BEST-SELLING car model in equalitarian Sweden last year was the pricey Volvo 740. It is one measure of the success that Volvo and its domestic rival Saab have achieved during the 1980s in switching from making sturdy *folkbilar* (people's cars) to sleek executive cars.

The two Swedish carmakers combined can claim 10-15 per cent of the loosely-defined European-produced medium-size auto market that is shared by BMW, Mercedes and Audi. Sales and production have nearly doubled for both, increasing profitability.

It is a far cry from the late 1970s when the future of the Swedish car industry was in doubt. Volvo and Saab plants are operating at full strength, with the two adding new production facilities within the next year.

"It is a matter of selling everything we have the capacity to manufacture," Mr Georg Karnsund, Saab's president, told shareholders in May.

The move upmarket by the Swedish companies was prompted by concern that they could not survive by turning out mass-produced cars. Their strategy was to increase profits on a stable volume of more expensive models.

They have benefited from their reputation for engineering quality, producing vehicles that can operate and survive in the tough Nordic winters.

One reason that the Volvo four-door 740 GL has become the new standard in Sweden is that consumers consider Skr122,500 a cheap price to pay for a car that is built to last two decades. But the next several years will test whether Volvo and Saab will be able to maintain high profit margins in the face of a falling dollar and fierce market competition.

Volvo's entry into the upper-middle range began with the 760 executive car in 1982, the first of the 700 series that complements the company's older, less-expensive 200 series. The 740 family sedan and the top of the line 780 followed in 1984 and 1985 respectively.

With a long product cycle, changes in the 700 series have been a series of gradual improvements since then. Volvo revamped the 760 and 780 models last year by replacing a third of their 6000 components, including the addition of a rearsuspension system to match Mercedes and BMW. A similar system for the 740 may follow.

Production at Saab

The 70u series now accounts for 60 per cent of the 300,000 medium-size cars that Volvo built in Sweden last year, with 191,400 in the 700 series class produced compared to 107,600 for the 200 series. Sales of the 700 series amounted to 185,700 while 114,400 200 series models were sold.

Production this year is expected to fall slightly due to a strike by key white-collar workers that closed Volvo plants for four weeks.

Volvo has come to rely heavily on its car division to generate profits for the diversified conglomerate

The strike cost Volvo 18,000 vehicles, although the company is trying to recoup some of the loss by stepping-up production. Saab tested the waters of the executive car market with its 900 Turbo in the late 1970s, but launched itself fully with the introduction of the 9000 series in 1985.

Saab completed the 9000 series range this spring with the introduction of the four-door 9000 CD sedan, following the turbo and injector-engine five-door versions. "With this car, Saab can compete throughout almost the entire up-market sector," says Karnsund. "Saloon cars represent 80 per cent of this sector, which in practice means that a new market has been opened."

With the launch of the 26,000 9000 CD, Saab is considered likely to turn its attention to developing a new car range that falls between the 9000 and 900 series.

Out of Saab's total production of 134,100 cars last year, 49,000 were 9000 series models and 83,000 were the 900 series, including 18,500 900 Turbos. Sales amounted to 127,000 last year, including 41,300 for the 9000 series and 83,300 for the 900 series.

Production is expected to fall to 130,000 cars this year as a result of the white-collar strike that affected Saab as well.

Although the executive car market is less susceptible to cyclical downturns than other areas of the motor industry, Swedish carmakers could see profit margins falling over the next few years.

Volvo has come to rely heavily on its car division to generate profits for the diversified conglomerate; the division accounted for 80 per cent of group profits last year.But strike-related production cuts and lower sales in the US, where a third of Volvo cars were sold last year, threaten to reduce its estimated Skr 11,000-12,000 profit margin on medium-size cars.

Volvo is responding by emphasising saLes in non-Nordic Europe, which bought 43 per cent of the company's output last year. With the Swedish krona having fallen against the D-mark, Volvo believes its competitiveness has improved against German carmakers.

But it also hopes to retain profit margins by cutting production costs by another Skr 2000-3000 by 1990. Volvo is investing Skr 3bn a year to improve its production facilities, including opening an assembly plant this autumn at Uddevalla that will eventually raise output in Sweden from the current level of 310,000 to 350,000 by the mid-1990s.

Volvo has depended on an exceptionally loyal base of customers estimated at 4m worldwide - it has the second-highest proportion of return buyers after Mercedes. But Volvo may not be able to rely on this factor for steady sales as it once did.

Volvo's US customers, for example, tend to be wealthy suburban families who normally consider quality before price but the rising value of the krona is even starting to pinch their pocketbooks.

For Saab, the problems are more difficult. Profits for the Saab car division, which account for about 10 per cent of group profits, have been drained by heavy investments for marketing, development and production expansion. The division's profits fell from a peak Skr 1.1bn in 1984 to Skr 579m last year.

Moreover, profit margins for Saab cars are about a third of Volvo's owing to to shorter production runs, poorer production rationalisation and more advanced technology in the cars.

Saab believes it can successfully shift its marketing emphasis from the US, which accounted for 36 per cent of sales in 1967, to Western Europe where it claims it has had difficulty meeting demand in recent years. The opening of a new assembly plant in Malmo next year, which will raise Saab's total production to 180,000 vehicles by 1992, is likely to improve production cost efficiency.

Saab is also spending Skr 1.5bn annually to overhaul its production facilities. It plans to increase the proportion of the higher-valued 9000 series, which will account for a planned 49 per cent of total output this year.

John Burton

Volvo 740 Turbo estate: most big Swedish companies prefer to buy Swedish

Choice made by the boss

CONSPICIOUS consumption is frowned upon by Swedes, who consider conformity a virtue. Fortunately for Swedish managers they can have their cake and eat it too: driving executive class is socially acceptable.

The reason, of course, is the presence of Volvo and Saab in Sweden. Despite their move up-market, the two companies' quality-engineered vehicles remain the norm for many Swedes.

Of the 315,000 new cars sold in Sweden last year, 35 per cent were made by Volvo or Saab. Their prime competitors in the loosely-defined executive car class, including BMW, Audi and Mercedes, have tiny market shares of 2 to 4 per cent each.

The corporate sector is a major buyer of the two Swedish carmakers' output, accounting for 40 per cent of their domestic sales, according to the Swedish Motor industry Association. Mass purchases by Swedish corporations of cars for their executives is the key reason why Volvo and Saab have such a huge slice of the corporate market.

"Executives with large companies have little choice in determining what car they will drive if the car is provided by the company - most big Swedish companies prefer buying Swedish," says Anders Hoff, director of market research for Philipson Bil, which imports Mercedes among other foreign models.

Executives of smaller concerns are the main customers of Mercedes or BMW. "Some of them are entrepreneurs who like to display their new wealth. Executives with small companies also have more influence in selecting what car they would like to drive," Mr Hoff says.

Marketers, though, are trying how to determine what effect the introduction of a new tax on corporate cars will have on sales to companies and executives. Corporate perks above Skr600 are subject to personal tax in Sweden.

Under the old rules, executives paid personal tax on their corporate cars according to a sliding scale based on the value of the vehicle. The new tax regulations state that 22 per cent of the value of a corporate car during its first two years should be regarded as personal income.

"The tax is thought to have two effects," says Lars Nasman,a spokesman for the Motor Industry Association. "One is that it discourages executives indirectly purchasing "their carsthrough their companies since it increases their tax base, which pushes middle-rank executives especially into a higher tax bracket.

"The second effect is that a flat 22 per cent valuation favours the corporate purchase of cheaper cars."

Last year's new car registration figures showed that Volvoand Saab suffered a slight market loss to cheaper Japanese imports. Mr Georg Karnsund, Saab's president recently criticised the tax by claiming it "penalised the Swedish auto industry" in competition with foreign models.

The tax has not had a more drastic effect on sales of Volvo and Saab so far because credit conditions have been favourable during the last several years, Mr Nasman believes.

"One advantage executives had in acquiring their cars through their companies was that the avoided having to finance their purchase. But with the present existence of good credit conditions, they have been willing to purchase the cars on their own if they wanted to escape the company car tax."

However, Mr Kjell-Olof Feldt, the Finance Minister, recently proposed tightening credit conditions for car purchases by requiring that buyers must pay 40 per cent in cash as a down payment. The proposal was aimed at reducing a boom in car sales which, he claimed, was leading to inflationary pressure in the Swedish economy.

Executives are now finding other means to acquire corporate cars without hurting their pocket book. One method is purchase their cars individually but have their employers subsidise the purchase by paying "expenses" incurred in using the vehicle.

There is also a noticeable increase in "demand for older luxurious cars," Mr Hoff says. "Prices have climbed dramatically in the past year."

J.B.

The practice of offering cars to key personnel has become widespread in the South East. **John Griffiths** reports.

Company perk car policies influenced by rivals

THE PUBLIC SECTOR is no place to go job-hunting for UK executives who value the status of a "perk" car.

He or she would have to qualify for a very senior job at the Post Office even to get on the first rung of the PO's ladder on which a car is awarded for status, rather than essential use, reasons. The qualifying salary level last year was £29,000.

They would do much better at Wang, the computers group. There, a salary level of just £13,240 was enough to qualify for a perk car last year, according to a "research file" published a few months ago by the Top Pay Unit.

The unit itself is part of Incomes Data Services, the independent research organisation which publishes a range of journals in the field of pay and industrial relations.

Its research, which unusually focused almost entirely on cars awarded for status, was based on case studies from 18 organisations and written information from 14 others, together with published survey sources such as the widely-used Monks Guide to Company Car Policies.

The study found that company policies towards car allocation vary widely according by type, size and location - and there is a growing blurring of the edges between perk cars and those essential for an employee to carry out their job.

Some examples:

Policies seem most influenced according to business sector, with all organisations contacted by IDS emphasising that they assessed their policies primarily against their competitors. Thus oil companies in general have a much higher "entry level" salary for perk cars than computer companies.

Rarely does an oil company provide free petrol for private use - a practice widespread throughout the food and drinks industry.

The car industry itself is rather more generous to employees with its products than the oil industry. "The car manufacturers have policies which provide not one but two or even three cars for senior managers and executives+, IDS points out. At Jaguar, for example, 220 senior managers and executives qualify for more than one car, while perk cars outnumber "job need" cars by a ratio of more than ten to one.

That is in sharp contrast to a company such as J. Lyons, where job need cars outnumber the perk variety by five-to-one.

In such an emotive area as car allocation - which in some companies has been known to take up board-level time which could have been more fruitfully spent on running the core business - policy formulation can be subject to some complex and conflicting pressures.

Particularly in the booming economy of the South East, the practice of offering perk cars to attract or retain key personnel in short supply has become more widespread, according to IDS - and created problems of its own within companies.

For example, one food manufacturer, short of skills in one particular area of its business, lowered its normal entry level salary to attract staff in the sector - only to generate much unrest and dissatisfaction elsewhere in the company, where the qualifying level remained unchanged.

Although the front line of decision-making is almost invariably the personnel department, IDS, Monks and other survey organisations conclude that in most organisations approval of the policy is a board matter - and one which has to be grappled with, in most cases, on an annual basis.

There is a growing blurring between perk cars and those essential for an employee to carry out their job

Detailed parts of it can be looked at much more frequently. Accountants Peat Marwick McLintock, a major operator of status cars, was found to be reviewing monthly contract hire rental allowances every week.

The Burton Group, IDS found, reviews its allocations three times a year on the basis of price or model changes by Ford and Jaguar.

The debate continues to rage about whether it is best for a company to buy its cars outright and run the fleet itself or, as the contract hire and leasing specialists inevitably claim, hand the whole business over the "the professionals."

Statistics from the 1986 Monks Guide suggest that contract hire, where, theoretically at least, the lessee company pays a monthly rental and the lessor looks after all aspects of running the car, continues to be the principal growth area.

According to Monks, the number of companies buying their own cars fell by six per cent last year, the number using finance leases fell by 6 per cent, and the number of companies using contract hire increased by 11 per cent.

The actual number of vehicles outright purchased by companies fell by nine per cent, while there was a seven per cent rise in the number of vehicles on contract hire and a rise of two per cent in the numbers finance leased.

Yet IDS found a number of companies travelling, so to speak, in the opposite direction: Renault Trucks moving from leasing to outright purchase; Peat Marwick McLintock from contract hire to hire purchase; and J. Lyons abandoning a combined lease and purchase policy in favour of outright purchase.

As ever, and as fleet management specialists such as Gelco International stress, the relative merits of all the forms of vehicle acquisition will depend entirely on the nature, tax and financial position of each individual company.

The most recent Budget, however, did nothing to alleviate what is shaping up as a severe problem for the contract hire industry - the resolute refusal of the Chancellor to raise the £8,000 purchase price ceiling above which the cost of leasing a car is disallowed as a full deduction from trading income in corporation tax terms.

The £8,000 ceiling has been in force since the Conservative government took power in 1979. At the time £8,000 bought an expensive executive model - now even a mid-range Ford Escort costs more than that.

Like the £30,000 mortgage tax relief ceiling, the Government appears content to let the benefit be withered away by inflation - in keeping with its beliefs that perks are an undesirable manifestation of high taxation the need for which should disappear as income tax rates come down.

A claim made by one of the contract hire companies to IDS, that as a result of the Chancellor's unwillingness to shift ground "leasing will be dead within three years," might have been melodramatic. But it has led to some of the larger, more aggressive leasing specialists to launch schemes aimed at offsetting some, if not all, of the disadvantages.

Sir John Egan, Jaguar chairman, with newly-built cars. Perk cars in the company outnumber "job need" vehicles by more than ten to one. Roger Taylor

For example, Windsor-based Lease Plan UK and the TSB-owned Swan National group have launched contract purchase schemes where the user company actually buys the vehicle but it is operated by the leasing/contract hire company.

This allows the operating costs to be offset against tax - although it still does not overcome another gripe of the industry, that the £8,000 purchase price ceiling means that capital allowances restrict annual depreciation to only £2,000 a year.

Even if the company car is danger of becoming a burden to the company itself, the company car remains a very attractive proposition to its operator, says Mr Norman Donkin, co-author of Monks Guide and managing director of Lease Plan.

Even though the Budget doubled the assessed tax benefit to an employee of a typical 1.6 litre car from £700 to £1,400, with an additional assessment of £600 if private petrol is provided, "at the reduced income tax rate of 25 per cent, this means that the typical salesmen's car will carry a tax charge of £500 a year - still a very low cost for a fully-expensed car," Mr Donkin points out.

Before the Budget, IDS calculated that depending on an executive's tax band and the car model, the perk car could be worth up to £29,000 a year in gross salary terms - a figure that will have been lowered, but far from eradicated, by the income tax cuts of the Budget.

John Griffiths asks if drivers will welcome yet more advances or reject them as gimmicks

When improvements have to stop

DEBATE ABOUT the nature of future executive, luxury and sports cars from the larger specialist and volume car makers is already progressing beyond the realm of what might be technically possibly into what is technically desirable.

Mr Roger Smith, chairman of General Motors, has been fully vindicated in his assertion, made soon after taking over the job in the early 1980s, that developing technology would be almost the least of the industry's problems against the background of more than half of the world's entire storehouse of knowledge being accumulated between the end of the Second World War and the turn of this century.

To quote just a few examples of the debate:

Less than 18 months ago, Japanese car manufacturers, notably Honda and Mazda, unveiled the first cars fitted with four-wheel steering intended for commercial sale.

A feature which appeared on paper to be an unalloyed benefit to the driver-offering a much tighter turner circle for parking and, so it was claimed, improved handling at speed - continues to be derided as a too-expensive gimmick by some manufacturers and parts of the motoring Press in the West.

Nissan, which has just launched its new Silvia coupe model in Japan, incorporates in it another technology "first" on a production car - a "head up" instrument display (HUD) as an option.

The idea, employed in fighter aircraft, is to supply the driver with pertinent information, most notably speed, almost in his or her line of sight so their eyes never have to be taken off the road.

Nissan achieves this by means of a fluorescent digital display which is reflected, via mirrors, on to an oxidised panel on the inside of the windscreen.

The system projects a sharply-defined digital display of the car's speed at an apparent point just beyond the windscreen and saves the driver from having to refocuss his eyes after looking at the dashboard.

The Silvia currently projects only speed. But Nissan expects to develop the system further to flash up system failure warnings and other information.

Will it be welcomed by drivers? Or will it be regarded, like the third example, electronic display dashboards with voice computers, as yet another gimmick?

Distaste among many motorists for the voice computer was strong enough for the UK's Austin Rover group to have dropped them from its current car ranges, even though it was one of the first to introduce them.

Some, such as Prof. Ulrich Seiffert of Volkswagen, have suggested that it would be better for manufacturers to concentrate on lowering the cost of features offering proven, particularly safety, benefits such as anti-skid braking or four-wheel-drive.

Other motor industry observers have suggested that some professed Western cynicism about the number of innovations sprouting on Japanese cars simply reflects an unease that Japan's automotive technology might soon outpace that of the West.

However, while views may differ on the precise ingredients which should go into making the executive car of the future, there is a general industry consensus that, as the end of the century draws near, executive cars will have become "intelligent", with computers having ultimate control of the dynamic behaviour of the vehicle as well as its engine and transmission systems.

Taken to its extreme, such a car could be described as "drive-by-wire." Just like a "fly-by-wire" jet fighter (which is aerodynamically unstable and would fall out of the sky if its computers failed) it would have the "pilot" providing physical inputs, such as steering, but these would be translated into electronic signals to the steered wheels, with the computer itself controlling the actual amount by which the wheels turned.

The thinking behind this sort of system is that it could come to the rescue of an inexpert drive who might, for example, react wrongly to an unexpected skid.

Ford, for one, talks of the intelligent car of the future having everything "from piston to wheels" under one overall computer management system.

The heavy reliance on electronics for such systems is leading some of the executive car specialists to beat a path to the aerospace and electronics industries' doors in order to gain more widespread access to the technologies required.

It is partly for these reasons, for example, that Daimler Benz of West Germany has , over the past few years, acquired the Dornier aerospace and MTU and AEG electronics and electricals groups (although in the longer term it is concerned, too, to lessen its dependence on car and truck business.)

Similar considerations are said to lie at least partly behind the intended acquisition of the UK State-owned Rover Group by British Aerospace, with Sir Roland Smith, BAe chairman, professing to see much "synergy" between the two industries.

The executive car of the 1990s can be expected to have some or all of these features:

● An electronically-managed engine mated to a continuously-variable transmission, also electronically controlled, so that the entire powertrain runs at optimum efficiency for performanse oreconomy.

● "Adaptive", and eventually "active" suspension, in which computers continuously change suspension settings to prevent rolling in corners or nose-diving under braking, as well as allow the driver to choose sporting or soft suspension settings by the flick of a switch.

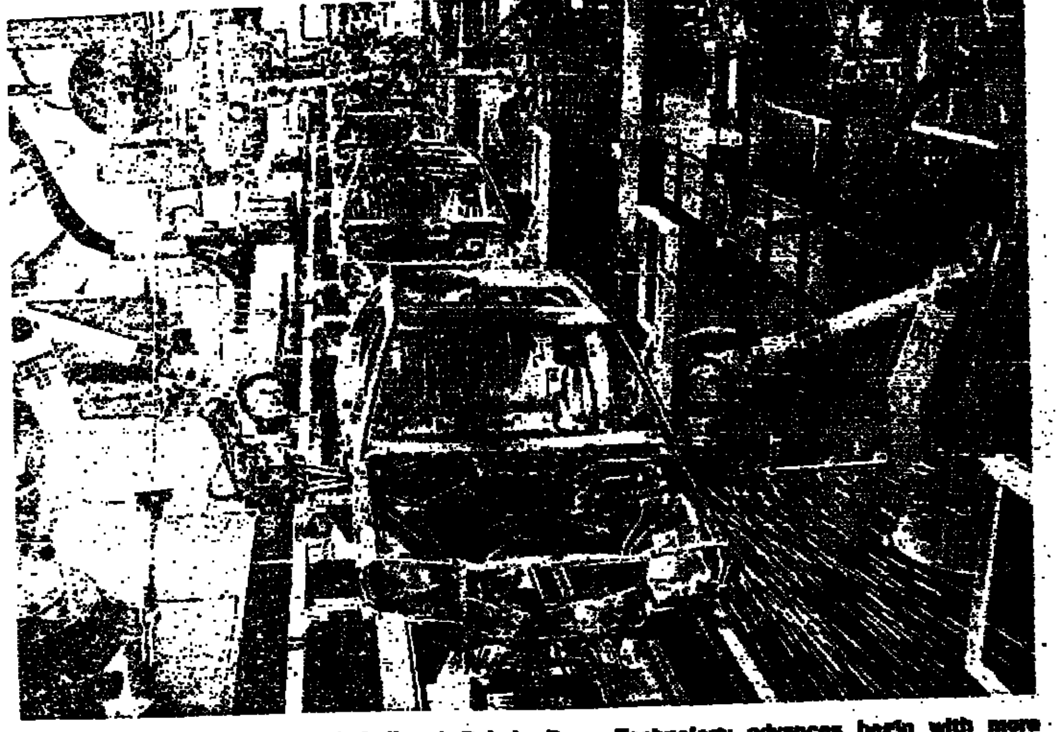
Electronic traction control, preventing wheelspin under acceleration, to complement the anti-skid brakes.

● Four-wheel drive in which maximum traction is automatically fed to the wheels possessing most grip;

● "Active" steering;

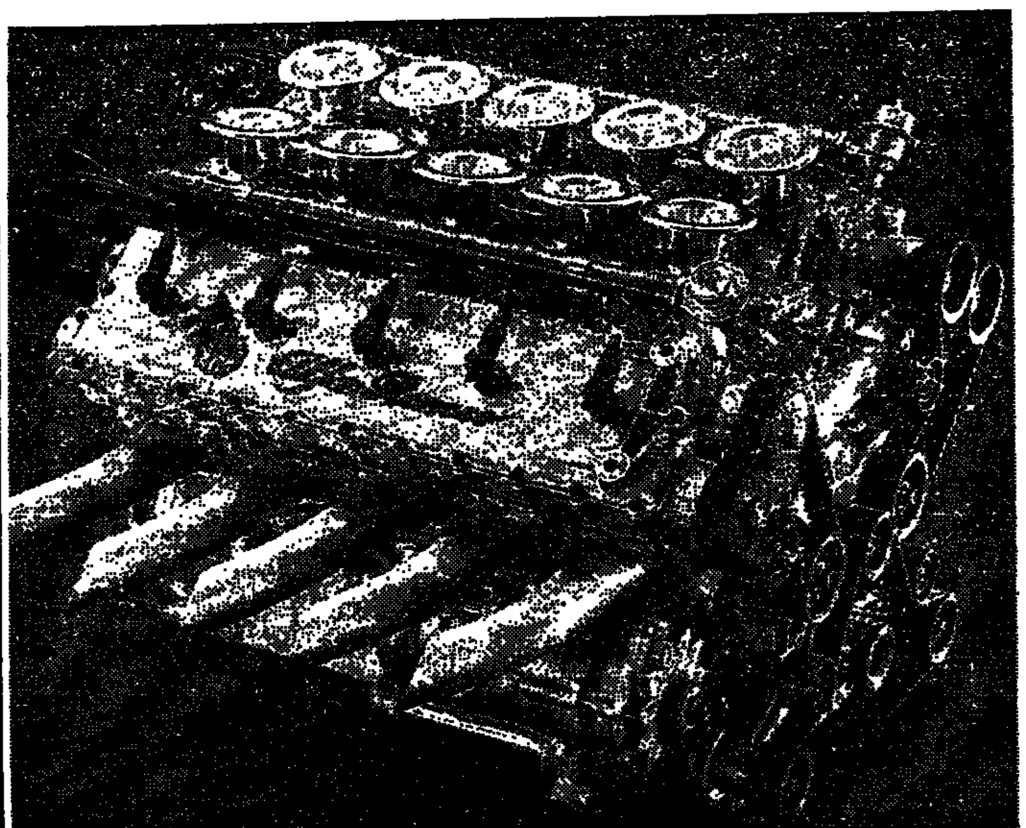
On a broader front, other projected features include collision-avoidance sonar or radar, route guidance systems, moisture-activated windscreen wipers and fully-programmable driving position.

This last feature would enable the driver to press a button so that a computer automatically adjusts the seat, mirrors and steering wheel to a "remembered" favourite position.



Welding robots building bodyshells at Daimler-Benz. Technology advances begin with more accurate construction of the car itself.

Investing in engines



ALFA ROMEO, which has been owned by Fiat, Italy's largest private industrial group, since the beginning of 1987, has been investing heavily in new engine layouts over the past 18 months.

Features of the racing engine (left), one of the few in the entire history of the car to explore a V10 configuration, are expected to appear in future production engines.

However, there are no confirmed intentions to use the V10 itself in a roadgoing car.

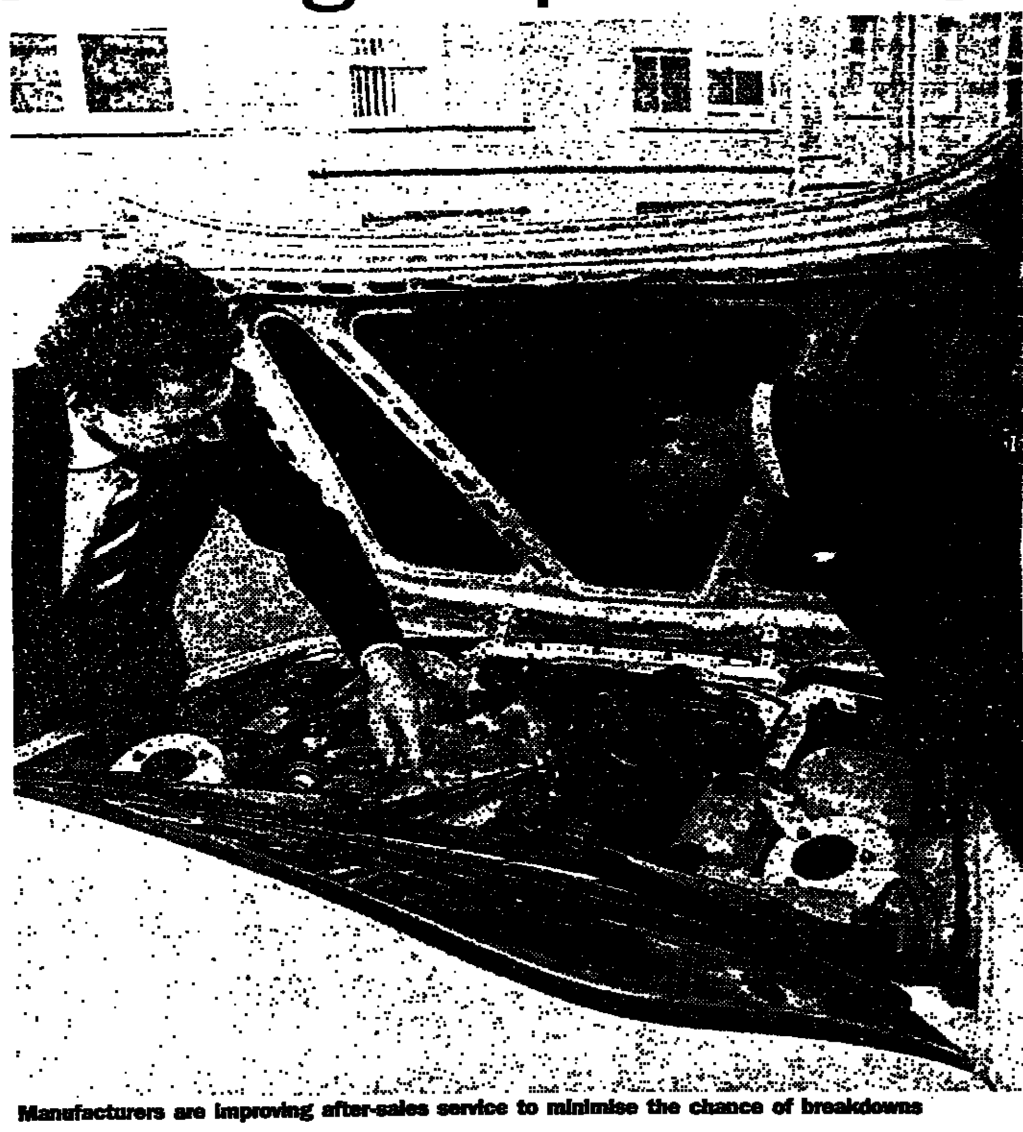
This year Alfa has also launched a four-valves per cylinder version of its Boxer - four cylinders, horizontally opposed - engine fitted to Alfa 33 and Sprint models, while a "twin-spark" 2-litre engine for the Alfa 75 executive car, incorporating two spark plugs per cylinder, has been well received.

Alfa is also currently the only manufacturer to incorporate variable valve timing in a production engine in pursuit of greater efficiency across a wide engine operating range.

However, a number of manufacturers are working on significant engine innovations, even including variable compression ratios.

Service standards

Makers taking responsibility



Manufacturers are improving after-sales service to minimise the chance of breakdowns

OF ALL THE motor manufacturers. Volvo is perhaps the most explicit in promoting what it calls its "Commitment to Lifetime Care."

It tells its customers that this is "a recognition of our responsibility for the efficient running of your car, long after the standard warranty period has expired" and agrees to honour its responsibility "for any manufacturing or material defect regardless of the age or mileage of the car."

In essence, so long as the car is well looked after - which in practice means for as long as it is properly serviced and maintained at a Volvo dealership - Volvo's Lifetime Care Commitment remains in force. Under it, Volvo will pay forrepairs caused by any manufacturing defect, whatever the age of the car.

It does not extend to parts which inevitably wear out - such as brake pads and exhaust systems, but aims to ensure that customers get reasonable usage out of every component so long as the car is on the road. In some instances, Volvo might suggest the cost is shared between itself and the customer but each case is judged on its merits.

The guideline is a leaf extracted from the book of English Law: what would a reasonable person expect if the car was looked after in a reasonable way?

"The Care philosophy is being aware of our customers' needs. Other companies nail customer care banners to their masts but we are actually doing something positive about it," said Jack Greaves, Volvo's After Sales Manager, when he introduced a follow-up to the Lifetime Care Commitment last year.

The follow-up is Volvo Careline, a scheme operated Jointly with the RAC which in the event of accident or breakdown provides owners with free 24-hour roadside assistance, cartransport where necessary, 24-hour car hire, train tickets and taxi fares to enable Journeys to be completed; or overnight hotel accommodation for the driver and passengers if the journey cannot be resumed.

Volvo customers are already remarkably loyal, with more than 80 per cent being repeat purchasers. However, there is no complacency at Volvo's high-tech new Marlow headquarters. For some time the company has been operating mystery shopper exercises at dealerships and unless dealers can demonstrate that they are providing outstanding customer service, there are financial penalties offset against annual sales bonuses.

According to Volvo, more than 80 per cent of the 286-strong network is giving these high levels of service, based on a computer analysis of a research project involving 50,000 drivers of new and used Volvo cars. Mr Philip Payze, chief executive, says: "I am convinced this research represents another significant step forward in our efforts to achieve retailing excellence.

"However, the encouraging result does not mean we shall become complacent. On the contrary, now that we are clearly identifying the weaknesses in our customer interface, we shall intensify our training activities in line with our high ambitions."

Volvo, of course, is not alone in striving to improve overall standards in the motor trade. Even in the volume sector manufacturers such as Peugeot are carrying out mystery shopper exercises and introducing new standards that dealers are expected to work towards and are encouraged to introduce through by various financial inducements.

Ford has told its dealers to prepare for a sales and service revolution; both Vauxhall and Austin Rover run training courses and incentive schemes intended to improve standards in their networks.

In the executive sector all dealers in, for example, the Porsche, Mercedes-Benz, BMW, Jaguar and Rolls-Royce franchises have been expected for years to invest heavily in improving both their premises and the standards of after-sales service.

At such outlets, customers ought to expect their cars to be valetted as routine when in for service, for replacement cars to be available either free or at nominal cost, and for pick-up and collection services to be made available to them.

For some time Volvo has been operating mystery shopper exercises at dealerships, with financial penalties for inadequate service

Audi recently changed its dealer discount structure by reducing margins to 14 per cent and only paying the remaining 3 per cent if the money was invested in improving overall standards.

Mr Allan Smith, Saab UK managing director, recently announced a series of measures requiring high investment by dealers aimed at "presenting the car in the right sort of atmosphere. Customer care is what will give us the edge over the next few years," he claimed.

According to Peter Nochar, car sales manager at BMW <GB): "The whole industry is now far more aware that it has ever been of the need to raise service standards. Everyone is now into customer handling and customer care.

"We identified this need some years ago, at a time when people were trying hard to sell cars. Then it became clear that the best way to maintain of increase sales was to retain as many existing customers as possible; and the best way to retain them was to look after them all the time they owned their cars."

Since it falls to the dealers and their staff actually to provide the higher standards of attention and care, one of BMW's first jobs was to convince them of the benefits.

"Getting the dealers to accept this new philosophy represented both a threat and an opportunity, but it has worked. Now the emphasis in terms of dealer investment and training is mainly on aftersales rather than sales and there is no doubt whatsoever that standards throughout the network have improved considerably, Mr Nochar says.

BMW attempts to quantify satisfaction among customers by making random visits to dealers and pulling out at random a number of customers' names from the sales and service department records. These customers are then sent a detailed questionnaire to discover the actual standard of overall service they received, and whether or not their expectations were truly satisfied.

If a certain level of customer satisfaction is achieved, the dealer receives a substantial bonus from BMW, based on the total number of labour hours sold in the previous quarter. "In real terms, we are the only company paying a bonus to dealers directly for customer satisfaction," Mr Nochar claims.

One area in particular which caused problems is BMW dealers' service capacity. The number of service bays did not keep pace with the increase in BMW sales so in some cases waiting lists for service were up to 10 or 14 days.

"In all new redevelopments we try to increase service capacity and now have the waiting list down to three days. And to maintain technical standards we insist that every mechanic in every dealership attends two training courses each year."

From the customer's point of view, there is often some anxiety about the cost of servicing and repairing BMW and other executive cars. Uniquely, BMW cars are all fitted with a computerised service interval indicator which tells drivers when a service is due, based not simply on time of mileage but upon the way in which the car has been driven.

More frequent services are needed when cars are driven mainly on short runs than those driven on fewer, longer journeys. Now the indicator is accepted technology and customers like it now they can see it actually does work, Mr Nochar says.

However, to counteract any fears of large repair bills, BMW has introduced a two-year extended warranty after the normal first-year warranty which will take care of most eventualities. But the bottom line, he says, is that "BMW cars are not agricultural machines but highly sophisticated and complicated vehicles. Dealers need expensive diagnostic and test equipment in order to go straight to the heart of any problem and this has to be paid for.

"We believe that if you buy premium-priced goods, you should expect and demand to get premium after-sales service. The closest analogy is that the reception and the standard of service you get at a BMW dealership should be the same as you would expect of a five-star hotel."

Martin Derrick

Cars depreciate at different rates for a number of reasons, and before you buy it is worth looking two or three years ahead

Discount today doesn't guarantee value tomorrow

ACCORDING TO predictions in Glass's Guide Autostat, new car sales in the UK this year will again top the 2m mark, with prices generally increasing by about 8 per cent.

As far as the secondhand market goes, it is expected to increase by 13 per cent, and residual values could well improve too. That is because there has been considerably less discounting in recent months, according Leslie Allen, director of Glass's Guide, who says that, with dealers giving less away at the front end, used car prices are tending to harden.

However, the executive car market is far more susceptible to international pressures than the volume market.

"On the volume side, alarm bells would start ringing as soon as one of the major manufacturers started discounting to maintain market share," Mr Allen says.

Autostat notes that at 30,000 miles, a year-old large car is worth 61 per cent of its cost new

"But worldwide, the executive car market has been falling, particularly in the US; and if sales soften, then so will residuals. If manufacturers try to compensate for falling sales in Germany and the US by attempting to increase market share in the UK, that would be a real danger, and I wonder how long the present strong residuals could be maintained."

Looking at the large car group (defined as those fitted with engines of between 2000 and 2500cc), Autostat notes that a year-old car that has covered 30,000 miles is now worth 61 per cent of its cost new, against 48 per cent for a two-year-old car. A car that is three years old has a residual value of 38 per cent after 40,000 miles and a four-year old car has a residual value of just 25 per cent after 50,000 miles.

However, hidden in those generalities are some massive variations in residual values, which make an enormous difference to the whole-life running costs of certain vehicles. Autostat's figures show that residuals after one year vary from 67 per cent down to only 50 per cent of the new car price; while two-year-old values vary from 55 per cent down to 42 per cent.

Different cars depreciate at different rates, for a number of reasons. Some are quite simply better designed and built than others, and so remain in good repair for longer; some have covered fewer miles than others; some are just more attractive cars to a wider number of people.

The general condition, the colour, the registration letter and the year of registration all have an influence on the value of a particular vehicle.

However, it is possible to make one or two generalisations about residuals from published used-car values. The obvious factors are that the higher the mileage the less the value, and the larger the car the faster it will depreciate.

But there is also another element, according to the 1988 Hertz Report Beyond the Fifth Dimension: "Residual values – and therefore the rate of depreciation – vary significantly over time according to trends in private and business buying. These factors in turn are related to wider business confidence.

"There was, for example, a cyclical peak in residual values (meaning lower depreciation rates) in 1983. Since then the pattern has moved through a trough in 1985 (high depreciation) followed by a new peak in 1987. The forecast is for another trough – a rise in depreciation rates – in 1989.

"Furthermore, the rate of depreciation varies with the cycles of all models. However the trend is analysed, the conclusion is simple: depreciation rates are unpredictable, complex and should not be left to guesswork."

But, however complex the prediction of residuals, it is in every car buyer's best interests to do all he or she can to find out what the vehicle they have in mind is likely to be worth in two or three years' time.

That is because, while it is not too difficult to twist a salesman's arm and achieve a front-end discount of £200 to £300, that saving can pale into insignificance compared with a £2,000 to £3,000 difference in value when the time comes to trade in.

Take one, admittedly extreme, example of a purchaser looking for a sporty car in late 1985, and now considering its replacement.

The British Car Auctions complex at Brighouse, in Yorkshire: residual value is one factor the experts will have in mind

One possibility might have been a Porsche 944 at £19,497, though instead an apparently cheaper choice could have been made – a Nissan 300ZX Turbo (£17,396), a Lancia Thema LX Turbo (£15,966), a Lotus Esprit (£17,630), or an Alfa Romeo GTV6 (£11,320).

At current trade prices, at 30,000 miles and in good condition, the Porsche is still worth about £15,200, while the Lotus will fetch £11,000, the Lancia £7,300, the Nissan £6,500 and the Alfa £4,000.

In percentage terms, the Porsche is still worth 77.9 per cent of its original price; the Lotus 62.3 per cent, the Lancia 44.7 per cent, the Nissan 37.3 per cent and the Alfa Romeo 35.3 per cent. More startling, the Porsche has dropped in value £4,297, which is £2,333 less than the Lotus, £3,023 less than the Alfa, and £4,369 and £6,599 less than the Lancia and Nissan respectively.

However, although the residual value itself is important in assessing the true cost of any particular car, the most accurate figures of all come from checking the whole-life cost – which would also include fuel, maintenance and insurance.

Each year, Leasecontracts, a contract hire and leasing specialist, produces its own company car cost calculator, which provides some fascinating insights into what different models can actually cost. It also proves beyond a shadow of a doubt that the worst indicator of true value is the list price.

The whole-life cost would also include fuel, maintenance and insurance

"Widely-ranging residual values and maintenance costs continue to be a minefield to unwary businesses which can make hugely expensive errors if cars are selected on simple purchase price considerations alone," says Geoff Becque, Leasecontracts' director.

"People often boast of gaining an extra 1 per cent discount on the purchase price, perhaps worth only £75. But when it comes to disposal, there can be differences of £650 between identically-priced models."

Leasecontracts' calculations take into account depreciation, maintenance, vehicle licence, financing, temporary vehicle replacement, AA business membership and fleet administration, plus insurance and fuel costs based on 12,000 miles a year. The results range from the Mini City E, at £135 a month or 17.9p per mile, to the Mercedes-Benz 560SEC, at £1,398 a month, or £165.4p per mile.

But, in between the extremes, the figures reveal that a Seat Ibiza SLX, costing £6,745, has the same monthly operating cost as a Ford Escort XR3i costing £2,400 more at £9,141. Similarly, the £7,799 Alfa Romeo 33 TI costs more to run at £252 a month than the VW Golf GTI which is priced £2,525 higher at £10,324 yet costs only £248 a month to operate.

The Calculator also shows that the German BMW 325i and the Mercedes-Benz 260E have higher list prices than the British Rover Sterling and Jaguar XJ6 2.9 but actually have a lower whole-life cost.

At the moment, West German cars tend to retain the strongest residual values, while Italian cars, followed by French ones, tend to have weaker secondhand values.

"The reasons are mostly historic," said Bob Rider, Director of Operations at Lease Plan UK. "Remember how Vauxhall suffered for years from one model – the Victor of 1958 – which quite literally rusted away? It probably took them 20 years to live it down. The Italians are still trying to live down their own rust problems and the distress marketing that followed, even though they occurred years ago.

"But each model has to be treated on its own merits, because it's very difficult to generalise. If you mark down all Italian cars, where does that leave Ferrari?"

The CAP Black Book of trade and retail values shows that a clean low-mileage 1985 Ferrari 328 GTB, costing £35,950 new, would retail at over £40,000 now.

At the moment, West German cars tend to retain the strongest residual values

And if you bought a Daytona model in the 1970s for under £10,000, you could sell it now for upwards of £150,000. Which perhaps goes to show that the most useful tool for calculating residuals might be a crystal ball.

Martin Derrick

☐ *Glass's Guide Autostat: £80 from Glass's Guide Service, Elgin House, St George's Avenue, Weybridge, Surrey KT13 0BX.*
☐ *The Hertz Report 1988: from Hertz Leasing, Isleworth House, Great West Road, Isleworth, Middx TW7 5SN.*
☐ *1988 company car cost calculator, from Leasecontracts plc, Lauriston House, Pitchill, Evesham WR11 4SN.*
☐ *CAP Black Book: £60 per year from Procter Nolan & Partners Ltd, CAP House, Carleton Road, Skipton, North Yorkshire, BD23 2BE.*

There are wide differences in acquisition policies in the EC countries, as **John Griffiths** reports

Germany heads the company car league

The Mercedes 190E - 15 per cent of Germany's 28m cars are owned by companies

ONE OF THE most often heard characterisations of the UK company car sector is that, because of the particularly favourable tax regime towards them, the UK has a uniquely high proportion of company cars compared with the rest of Europe.

This is simply not the case, according to a survey carried out by vehicle leasing group Lease Plan, using both its own research statistics and those from the European Car and Truck Rental Association.

According to Mr Norman Donkin, Lease Plan UK's managing director, and author with Mr Tony Vernon-Harcourt, of Monks Guide to Company Car Policy, the statistics show a higher proportion of company cars, relative to total car numbers, in West Germany than in the UK.

According to Mr Donkin, 4.2m of West Germany's 27.9m cars, or 15.1 per cent, are registered to companies. That compares with 2.5m out of a total of 19m - 13.2 per cent - for the UK.

The differing taxation and VAT regimes are another facet of the Community's struggle towards the 1992 internal market

Lease Plan's figures exclude Italy for the simple reason that, unlike the six EC markets under study, the company does not have operating subsidiaries.

Of the six, however, it does become apparent that West Germany and the UK are well above average in terms of the size of their company car populations.

Using the same statistical source, France has 550,000 company cars out of a total of 22m (2.5 per cent); Spain 600,000 out of 10m (6 per cent); the Netherlands 400,000 out of 5m (8 per cent); and Belgium 130,000 out of 3.2m (4 per cent).

In most cases, the figures understate the real size of the business car population, as many cars *primarily used for business* will be registered in individuals' names and, in one way or another, have some or all of their operating costs paid by businesses.

By precisely how much varies from country to country. In the UK, it is estimated that between 15 and 20 per cent of all new car registrations might fall into this category.

For obvious reasons, Lease Plan's particular interest in picking apart the European business car scene has been to assess the potential prospects for expanding contract hire and leasing business.

The research threw up some wide variations. In the UK, where contract hire is regarded as the main growth area in terms of company car acquisition, Mr Donkin estimates that some 30 per cent of company cars, or 750,000 units, are subject to some form of leasing arrangement. This percentage is not dissimilar to those of Belgium (27 per cent) or the Netherlands (35 per cent).

The lower level in Spain - 20 per cent - reflects the relatively more recent growth of the car population and introduction of leasing.

The really big disparities are between West Germany, where only 11 per cent of company cars are leased, and France, where the level rises to 55 per cent.

The figures, observes Mr Donkin, illustrate yet another facet of the complexities of the EC, now struggling towards internal market harmonisation by 1992. Each country has its own particular problems - and opportunities. The differing taxation and VAT regimes illustrate some of the difficulties.

In Belgium, 25 per cent VAT is imposed on new cars, or 33 per cent if it is over 3 litres. Only half the VAT is recoverable by a business purchaser.

There is even a 25 per cent tax on any discount from the list price obtained by a purchaser.

Two different rates of VAT are imposes on leased vehicle rental payments: one rate for maintenance, one for everything else - only half of which is recoverable.

And in case that is considered *too simple*, there are limits *on* allowable depreciation for tax purposes, which are indexed and require annual recalculation.

There are also no firm rules covering the private use element of company cars - tax asessments being strictly a matter for negotiation between companies and their local tax offices.

Despite this, contract hire companies like Lease Plan, Avis and Hertz Leasing, together with vehicle manufacturer-linked companies such as Locaterm (Pegueot) believe prospects are sufficiently bright for a brisk battle to win new business to be going on.

A quick glance at the fiscal situation in France is all that is required to see why the market penetration of company cars is so low, and why employers are much more inclined to pay mileage allowances for executives to use their own cars:

VAT is imposed on cars at a rate of 28 per cent. This is recoverable by contract hire companies, but not by other purchasers, Mr Donkin points out.

However, 28 per cent VAT is also charged on the finance and depreciation element of of contract hire rentals and this is not recoverable by the user.

There is also a specific annual tax on company cars irrespective of whether it is bought or leased and which, depending on vehicle size, ranges from Ffrs 4,800 to Frs 10,500. And just to complete the picture, there are also limits on depreciation allowances.

That more than half of the company car population that does exist is subject to contract hire and fleet management agreements reflects a strong pitch by French vehicle manufacturers themselves to promote their products.

Their uniquely strong position when it comes to providing relatively attractive terms has resulted in Renault, Peugeot and Citroen between them accounting for some 60 per cent of leasing business.

Indigenous manufacturers also dominate the West German leasing market, estimated at some 850,000 vehicles.

But nearly half of these were leased not to companies but individuals.

The low penetration of leasing appears to reflect the relatively benevolent fiscal climate under which cars are operated. Cars bought by companies are subject to 14 per cent VAT but it is all recoverable, as is the 14 per cent VAT charged on contract hire rentals.

The Netherlands and Spain differ sharply, yet again. The 35 per cent penetration of leasing in the Netherlands, says Mr Donkin, probably reflects most strongly strict controls through the tax system over mileage reimbursements by companies to employees using their own cars.

But there is also the matter of the system whereby the Government adds 20 per cent of the cost of a company car each year to its user's income - minus any payment the driver makes to the company for the car's private use.

That, in turn, is thought to account largely for another wrinkle in the Dutch company car scene not seen elsewhere: the widespread use of liquefied propane gas (LPG) as a fuel. Some 40 per cent of company cars run on it, compared with 30 per cent petrol and 30 per cent diesel. Drivers do not like to opt for diesels because of their higher purchase price relative to petrol models. And cars are cheap and easy to convert to run on LPG - which is less than half as expensive as petrol.

VAT (20 per cent) on purchase and rentals are fully allowable against tax except for banks, insurance, government agencies and some non-profit institutions.

In most cases the figures understate the real size of the business car population as many are registered in individuals' names

With no large volume car makers present in the market, the Netherlands remains one of the more attractive markets for the leasing companies, with estimates of as many as 1m drivers using their private cars for business purposes.

Lease Plan claims market leadership, but with strong challenges coming from another pan-European company, Interleasing, as well as Audi/Volkswagen and Opel-linked leasing concerns.

Spain, despite its growing use by multinationals as a base for vehicle production - to the extent that Spain's vehicle output outstrips that of the UK - has a stiff VAT regime discouraging domestic sales. The tax is imposed at a rate of 33 per cent on both car purchase and rentals, and in neither case is recoverable.

TOP 20 REVEALS MOST POPULAR MODELS

WEST GERMAN-BUILT executive cars are those most favoured by company chief executives and other directors throughout Western Europe.

At least they are according to a survey published earlier this year by the Executive Compensation Service, a Brussels-based consultancy which specialises in the size and structure of executives' remuneration in Europe.

ECS arrived at its conclusions, which include a "Top 20" ranking for both manufacturers and actual car models, after surveying some 3,500 chief executives and other directors in 16 countries. These were: the UK, West Germany, France, Italy, Belgium, the Netherlands, Spain, Greece, Luxembourg, Ireland, Austria, Denmark, Finland, Sweden, Switzerland and Norway.

The 10 most popular models, according to the survey, were the Audi 100, mentioned by 13.4 per cent of those surveyed; BMW 5 Series and Ford Scorpio/Granada (8.8 per cent); Mercedes 200 Series (7.6); Volvo 700 Series (5.9); Renault 25 (5); Volvo 200 (4.5); Saab 900 (3.7); BMW 3 Series (3.2); and Ford Sierra (2.8).

The "second division", occupying places 11 to joint 20, were:

Opel Rekord/Vauxhall Carl*ton* (2.6); *Mercedes* 190 (2.5); Peugeot 505 (2.4); Opel Senator/Omega (2.1); Lancia Thema (2); Renault 9 (1.6); Saab 9000 (1.6); Lancia Prisma and Citroen BX (1.5); and Honda Accord and Mazda 626 (1.4).

The manufacturer rankings show substantial differences, reflecting the fact that while the total volumes of some of the models sold to the companies may be low - because, for example, they are very expensive models at the very top end of the market - the presence of the marque itself is quite widespread.

This factor provides some consolation to UK companies Rover Group and Jaguar, which achieve 13th and 19th places in the rankings

The actual Top 20 list runs: Audi (mentioned by 14.2 per cent); BMW (12.5); Ford (11.9): Volvo (10.6); Mercedes (10.4); Renault (8.3); Opel/Vauxhall (6.3); Saab (5.5); Lancia (3.8); Peugeot (3.1); Citroen (2.9); Alfa Romeo (2.2); Rover and Honda (1.9); Fiat (1.6); Mazda (1.5); Volkswagen (0.7); Toyota (0.6); Jaguar (0.4); and Nissan (0.3).

Diesels

Resistance to switch-over

The Mercedes-Benz 230, a diesel widely used by European drivers

A NEW publication catering specifically for the diesel sector in the UK, Diesel Car, was launched this spring with a cover story proclaiming that British business was passing up annual savings of £3bn by continuing to run petrol-engined cars.

The magazine claimed that many companies were in fact poised to make the switch - but "one major obstacle is resistance to the idea from directors and senior managers who fear they would have to drive diesels if 'the troops' did."

The article went on to assert that this resistance was based largely on inaccurate and outdated perceptions of diesel cars as slow, noisy and smelly.

That sales of cheaper diesel cars, used by private buyers or high-mileage business drivers, are nevertheless enjoying high growth rates is not in doubt.

Total diesel car sales in the UK last year reached 93,235, a 20.1 per cent rise over the previous year comparing with only 14,530 five years previously. Last year's UK market share for diesels reached 4.8 per cent, compared with well under 1 per cent at the end of the 1970s.

But there is virtually no sign that resistance to diesels in the executive car sector is being overcome, or will be in the future - at least in the absence of either a really sizeable financial carrot, such as the Government introducing a tax regime much more favourable to diesel fuel vis-a-vis petrol than exists now; or an equally hefty financial stick in the form of a third oil crisis and consequent quantum leap in the oil price.

For the majority of executives there is too small an incentive, and too obvious a drawback in performance, for the diesel to appeal

Why, for example, should an executive ask his company to pay £12,500 for a Ford Granada 2.5L diesel, with a top speed of less than 90mph and leisurely acceleration of nearly 18 seconds to 60mph, when the injected 2 litre petrol version, in GL specification, can be had for marginally less and offer far superior, near-120mph performance?

For the majority of executives, particularly if the company provides their leisure-use petrol, there is too small an incentive, and too obvious a performance drawback, for the diesel option to appeal.

And even when the executive is paying for his own fuel, such is the acknowledged "benefit" of his company car in personal taxation terms that there is a widespread tendency not to worry too much about the fuel bill unless private mileage is very high.

The situation is all too evident in the sales figures. Taking the Ford example again, out of the 35,090 Granadas/Scorpios sold in the UK last year, just 567 - or 0.02 per cent - were diesels, most of which are believed to have been bought by taxi operators.

Similarly, just over 500 diesel Vauxhall Carltons were sold; Rover group does not even have an executive sector diesel car, and Peugeot Talbot's Peugeot 505 executive diesel sold just 140 units.

Mercedes, much the most dominant force in the executive diesels sector, achieved just under 2,100 sales - including estate cars - or about 10 per cent of its sales total.

Even when models like Renault's 21 and Citroen's BX diesel car ranges are included in the "executive" sector - considered very much open to debate by other manufacturers, which suggest their pricing puts them more into the utility sector - total sales last year reached only 13,265 units. This was barely up on the 1986 figure of 13,160 - despite a record new car market up by over 7 per cent.

Even then, nearly 8,000 of the above total was accounted for by the best-selling BX. An additional 4,825 diesel estate cars were sold - again only slightly up on 1986's 4,590 and the BX accounted for nearly 3,400 of these.

The market is so small that BMW of West Germany, which expects to sell some 36,000 cars to British executives this year, does not even bother to import its own range of diesel cars to the UK, and has no intention of doing so in the forseeable future.

A spokesman says: "There are two main reasons why we are not importing them, even though we have diesel and turbodiesel versions of both the 3 and 5 series cars which sell well elsewhere.

"The first is simply that the market is so small in our price sector. The second is that a large proportion of more expensive diesel vehicle sales are of estate cars and we are not really in that market.

"Nor do we think there is any prospect of the situation changing without a big shift in fuel taxation policy" (of which the UK government has given no sign).

Advocates of the diesel put forward other arguments in its favour, notably lower maintenance costs and better resale values compared with petrol-engined cars. Cost savings can also come from businesses installing their own diesel pumps and the vehicles having a longer life.

While most of these arguments are accepted, that relating to resale values increasingly is being called into question.

Mr Leslie Allen, director at Glass's Guide, agrees that resale values of diesel cars were a lot stronger than their petrol equivalents in 1985 and 1986. But he suggests that rarity value was at play as a factor and that as more vehicles have come on to the market they are probably approaching or are at parity with their petrol-engined equivalents.

All these arguments, however, are about economy - which studies by Monk's Guide to Company Car Policy and others have clearly shown is hardly paramount in most executives' mind when making the frequently emotive decisions about their cars.

Events in the overall European car market in the past two years tend to bear out the view that what happens to the diesel car sector will be decided almost entirely by factors which have little to do with the intrinsic appeal of the cars themselves.

Last year, a boom in West European diesel car sales which had gone on virtually uninterrupted for 14 years came to an abrupt halt. Sales in fact dropped 1.9 per cent, to 1.99m units, despite total new cars sales in the region rising by 6.1 per cent to a record 12.25m.

Market analysts Automotive Industry Data identified the setback as being due almost entirely to a slump in the West German market, where diesel car sales fell nearly 27 per cent, to 567,510.

But the slump simply corrected a huge bulge in sales the previous year which, AID and other analysts believe, had been triggered solely by the uncertainties prevailing over exhaust emissions legislation, prompting what AID describes as "a mad dash" into diesels.

Now that catalyst cars have become a known quantity - offering only marginally-reduced performance from a non-catalyst petrol car, "the popularity of oil burners is falling rapidly,"

The boom in diesel sales which had gone on for 14 years came to an abrupt halt, even though sales of new cars rose

Growth is continuing in other markets such as France, Italy and the UK - but predominantly among private buyers and business vehicles used more as high-mileage work horses than perk transport for the higher paid. The notable exception is Italy, where one in every four cars sold is a diesel.

The Italian fuel tax regime is such that diesel fuel costs only about half as much as petrol. Combine that with the diesel car's roughly 25 per cent better fuel economy compared with a petrol engine, and the combination becomes difficult for even the most carefree executive to resist.

John Griffiths

Exhaust emissions

EC closer to full commitment

HAD ALL gone as well as most European Commissioners hoped back in the early 1980s, from October of this year the buyer of any new-model executive car inside the Community would automatically have taken delivery of a car with a full three-way catalyst system to clean up the pollution from its 2 litre-plus engine.

To the intense disappointment of some quarters, such as the "Greens" of West Germany, it hasn't worked out like that, even though further progress was made at the start of this year towards clearing up more of the longstanding confusion surrounding legislative standards for car exhaust pollution in the EC.

The Commission has now accepted a set of standards first agreed in principle in 1985 but which subsequently fell foul of national political considerations.

They will restrict the amounts of oxides of nitrogen, carbon monoxide and hydrocarbons and will be applied with varying degrees of severity and under varying deadlines to cars of all sizes between this coming October and the early 1990s.

That is the theory. In reality, implementation of the standards is on a permissive basis. In other words, those EC member states which are not too worried about the subject, or at least do not wish to impose further burdens on their national motor industries, are under no obligation to impose the standards inside their own national boundaries.

Other major issues remain unresolved. Precisely how to tackle particulate emissions from diesel cars is not yet agreed, for example; nor is there even a final agreement on a driving test cycle over which a car's exhaust emissions should be measured. The current EC test cycle is based almost entirely on urban conditions, with an average speed of less than 12mph.

Plainly, this no longer reflects present-day driving conditions and a revised cycle will certainly contain an element of high-speed driving to lift the average substantially.

This has led to the powerful and vociferous lobby in favour of cleaning up exhausts exclusively by catalyst systems – led by companies such as chemicals giant Johnson Matthey – to argue that vehicle manufacturers will have little choice but to downgrade their efforts to cut pollution by means of "lean-burn" engine technology in favour of the catalyst.

A full three-way catalyst system can be expected to add at least £400 to the price of a car. This is no great deterrent in the luxury and executive sectors. But French and Italian vehicle manufacturers, with a large part of their output devoted to small cars, were alarmed by the high percentage price increase implicit for cars such as the Fiat Uno, Renault 5 and so on.

Terry Kirk

Traffic on the Penn Lincoln Highway in Pittsburgh, Pennsylvania. The EC is taking its time to follow the US lead on emission laws

That concern is beginning to disappear as the conviction grows that the proposed standards - which are less strict than those of the US and Japan, where catalysts *are* mandatory – can be met by less expensive means even though the cars would not be as "clean" as catalyst-equipped ones.

Volkswagen has been offering catalysts on every model in its range since 1985, reflecting West German concern about heavy environmental damage in its Black Forest region.

It is also a major producer of catalyst systems in its own right, making 6,000 a day worldwide, and says it has cut the performance disadvantage of catalyst-equipped cars compared with their "non-cat" rivals to less than 5 per cent.

Nevertheless, its research and development officials say that "the future is for the petrol engine to provide clean air without catalysts."

VW envisages an intermediate step where engines burning very lean air/fuel mixtures, of about 22:1, will be able to get by on simple oxidation catalysts which require none of the complex sensing and other electronic equipment associated with full three-way catalyst systems.

The completely non-catalyst engine, unlikely on large cars much before the end of the century, will require high-tech features such as a variable compression ratio, VW suggests, but will have the benefit of being able to run on different types of fuel whereas as catalyst cars must use unleaded petrol.

Helmut List, president of the Austrian AVL engineering consultancy which has developed many of the world's best-known engines for carmakers, is even more confident than VW.

AVL is already running prototype engines without catalysts which meet even the US standards on the current EC cycle, and Helmut List says a higher-speed test cycle will also present no great difficulties.

West Germany, Denmark and the Benelux countries are expected to impose the new standards in full on both West German-built cars and imports.

The UK, France and Italy are much more in favour of lean-burn solutions and would rather not implement the standards in full - but are coming under what looks like irresistable pressure from some of their EC export markets to do so.

Much less controversial now is the related issue of unleaded petrol. Under the same "Luxembourg Package" which produced the emissions compromise, it was agreed that all new models over 2 litres produced after October 1 this year should be able to use unleaded petrol, as should all new models produced after October 1 1989 and all new registrations after October 1 1990.

Designing engines, or adapting existing ones, to run on unleaded fuel is much simpler than coping with other emissions and all EC members currently are running advisory campaigns on which cars can and cannot run on unleaded.

In the UK, for example, the Society of Motor Manufacturers and Traders estimates that about 10 per cent of cars currently on the road can use leaded or unleaded and a further 50 per cent could be retuned - mainly a matter of ignition timing - to accept unleaded.

Lead and the wider emissions legislation have been linked only because lead "poisons" catalysts and unleaded fuel, therefore, had to be widely available in Europe before the other emissions legislation could become effective.

The Luxembourg agreement committed member states to ensuring that unleaded fuel is widely available throughout the Community by October 1990, and after a slow start in some countries - including the UK - this now looks certain to be the case.

There are, for example, already more than 800 sites in the UK where it is sold, and the UK Chancellor encouraged its use in the last Budget by making it roughly 5 to 6p cheaper per gallon than leaded fuel.

The prospects for diesel cars may be improved, however, by the introduction of directly-injected (DI) diesels, rather than conventional units in which fuel and air are mixed in a pre-combustion chamber before being introduced to the cylinders.

Such engines, just introduced by Fiat and soon to be launched in Austin Rover's Montego, offer as much as 15 per cent economy improvement over the conventional diesel.

There has been much talk of the merits of DI diesels in recent years, but the slowness of their progress towards the marketplace has led to widespread speculation that they remain too noisy and unrefined for significant use in cars.

However, such an impression is misleading, according to senior executives at AVL, the Austria-based engine engineering consultancy which developed, among many others, Ford's 2.5 litre DI diesel for its Transit van.

"Lots of manufacturers are ready with such engines," says a spokesman. "They are simply waiting for the market to come right."

John Griffiths

Bill Packer asks whether the latest UK tax move will lead to a rethink of the company car concept

More drawn into the 'higher-paid' net

THE TAXABLE benefit for UK income tax purposes of an executive car for its user was doubled in the March Budget. Is the time coming when it will be more advantageous for the higher-paid to provide their own cars?

And will this lead, if not this year then perhaps next, to a rethink of the whole concept of the "company car?"

Before looking at the present position in detail it is useful to summarise the rules as they currently apply.

These provisions apply to directors and to "higher paid" employees. Here an employee is defined as higher paid if he or she is remunerated at a rate of more than £8,500 per annum.

For this purpose "remuneration" includes salary and other payments as normally understood, but also benefits in kind (including a company car) calculated as if the employee were higher paid and any expenses paid on his behalf or reimbursed, regardless of whether or the employee is taxable on any part of them because of any personal benefit arising.

A deduction is allowed for any expenses covered by a dispensation granted to the employer by the Revenue and for any pension scheme contributions paid.

The £8,500 per annum threshold has been in force since 1979 and Treasury Ministers show no inclination to adjust it in line with the other tax allowances and thresholds. It has to be assumed that the authorities are happy to see more and more individuals drawn into the "higher paid" net.

Generally directors, regardless of their level of remuneration, are caught by these rules. For convenience I use the term "employee" to cover any individual within these provisions.

Where an employee within these terms is provided by his employer with a car, he is subject to tax on a benefit in kind (the "scale" or "table benefit") based on the car's size, cost and age.

The current scale takes no account of the level of business mileage except for the extremes of:

● More than 18,000 business miles a year, when the scale benefit is reduced by half;

● Under 2,500 business miles a year, when the scale benefit is increased by half.

(Note that home to office travel is almost invariably "private" not "business" mileage).

There are also adjustments for non-users, for second cars provided by the employer and where the employee makes a contribution towards the cost of providing the car.

This scale has been doubled from the amounts applicable for the tax year 1987-88 and this is the cause of the present concern as to the tax efficiency of the company car. In addition, the scale is applicable where fuel for private use of the company car is provided by the employer.

This depends on the size and cost of the car but not its age; there is a 50 per cent reduction for high (more than 18,000) business mileage, but no loading for low mileage. Also and particularly significantly, this scale has not been doubled up as was the *car scale described above.*

On this basis then, an employee provided with a 2000cc company car and free private petrol in 1988-89 doing 10,000 miles a year, half business, half private, will be assessed on a benefit in kind of £2,000 (car £1,400 and fuel £600). On a marginal tax rate of 40 per cent the actual cost in extra tax is £800. (The corresponding cost for a top rate taxpayer in 1977-78 would have been £1,300 at 60 per cent £780).

The corresponding standing and running costs as currently estimated by the AA would be almost £3,300. These do not take account of interest on capital which is no longer included in the AA's calculations. However, a prudent estimate would suggest that this could amount to another £1,000 a year.

So it would appear that the "company car" has quite a long way to go before it catches up with private expenditure. However there are circumstances where it may still be possible to improve on the tax deal.

First, if the employee's private mileage is low, it may pay him to buy his own petrol and claim an allowance for business mileage rather than be taxed on the car fuel scale charge.

Thus for a 2000cc car, if the individual's private mileage is only 4,000 in a year, the AA estimates a petrol cost of £5.733 per annum mile, giving a total cost of £229 in the year. The car fuel scale charge would cost him £600 at 40 per cent = £240.

Benefits in kind

Cars and car fuel 1988-89

	Cars: Under 4 years old £	Cars: 4 years old or more £	Car fuel £
Cars by original market value up to £19,250 and cylinder capacity of:			
1400 cc or less	1,050	700	480
1401 cc to 2000 cc	1,400	940	600
more than 2000 cc	2,200	1,450	900
Cars by original market value up to £19,250:			
less than £6,000	1,050	700	480
£6,000 to £8,499	1,400	940	600
£8,500 to £19,250	2,200	1,450	900
Cars with original market value over £19,250:			
£19,251 to £29,000	2,900	1,940	900
over £29,000	4,600	3,060	900

Ministers show no inclination to adjust the £8,500 threshold in line with other tax allowances and thresholds

Second, if the employee's business mileage is high compared with his private mileage, there may be a tax advantage to him if his employer, instead of providing him with the car, makes him an interest-free loan which is progressively written off in line with the capital (tax depreciation) allowances available on the car.

Even though the employee will not be taxable on the benefit arising on the loan write-offs and on a proportion of the interest foregone on the loan attributable to his private use, he should be able to claim a proportion of the capital allowances related to business use.

To illustrate this in figures, following the example of the 2000cc car already used, if we assume that business mileage accounts for 75 per cent of the whole, the calculation of the assessable benefit for the current year might proceed as follows:

Running costs, say 25 per cent of £3,300 = 825
Loan waiver (equal to maximum available capital allowances): 1,500
Interest-free loan:
say £14,000 x 9¼%* × 25% = 332
Capital allowances on business use: £2,000 x 75% (1,500)

Total benefit therefore equals £1,157.

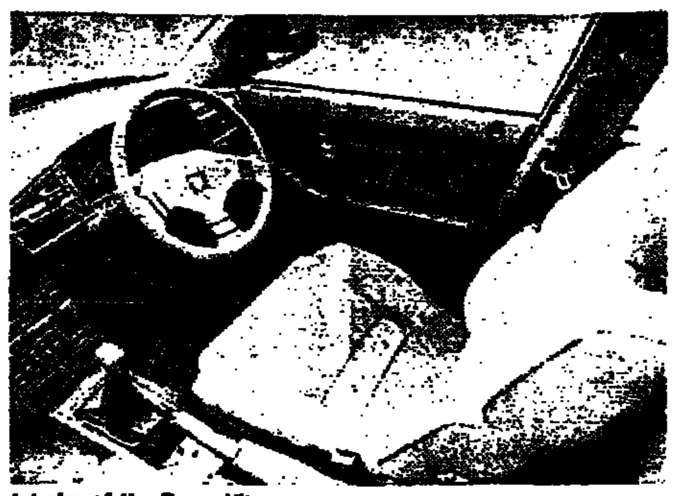
* "Official" rate of interest currently applicable for calculating tax benefit on interest-free loans.

This compares with the normal scale charges of £2,000 already mentioned.

A number of possible problems have to be considered in following this approach:

(1) Detailed mileage records will have to be maintained to support the calculations. (One of the official justifications for the introduction of the scale charges was that it did away with the need for such records);
(2) The employer may not find the concept of employee loans as attractive in cash flow terms as the type of leasing or contract hire or similar arrangements that he would be able to set up as a fleet operator;
(3) The employee will probably not be able to take advantage of the sort of discounts that a fleet user can negotiate;
(4) The likely depreciation in the value of the car over the whole period of ownership will need to be taken into account to make sure there is no unexpected claw-back of allowances in the year of sale;
(5) Company directors are generally prohibited from taking loans from their companies;
(6) If the company is "close" for tax purposes (broadly under the control of five or fewer shareholders or of its directors) and the employee is himself a shareholder, the loan will be treated as if it were a "distribution" (ie a dividend) by the company so that a liability to deemed ACT (currently equal to one third of the loan) will fall on the company;
(7) Since the employee's capital expenditure is met out of a loan from the employer the liability on which is tied to the value of the car, the Inland Revenue might contend that the employee did not bear the cost of acquiring the car at all and refuse his claim for capital allowances.

Bill Packer is National Tax Technical Director of chartered accountants Touche Ross



Interior of the Rover Vitesse

Road guidance systems

Trial schemes in Europe

THE UK'S Department of Transport in March unveiled a pilot vehicle guidance system, to operate between Heathrow Airport and Westminster, which has profound implications not just in terms of time-saving for busy drivers but for road infrastructure and the European electronics and communications industries.

If the Autoguide projects works as hoped, by the early 1990s at least 400,000 drivers will be using it to find their way within the M25 orbital motorway system around London.

By then, similar projects will have been developed in West Germany and other EC States so that it should be possible for motorists to be guided automatically to almost any destination within major European cities before the year 2000.

However, even this ambitious project, seen as opening up vast new markets for manufacturers of both the system equipment and in-car receiver/transmitters, forms only part of Europe's joint motor industry research programme, Prometheus.

The acronym stands for "programme for a European traffic redesign with highest efficiency and unlimited safety."

Drivers round London will be using the system in the 1990s

And Prometheus, in turn, is part of Eureka, the Europe-wide collaborative research project aimed at developing new technologies, including the peaceful uses of space research.

The Prometheus initiative came from Daimler-Benz and its research and development chief, Dr Rudolf Hornig.

It stemmed from the belief that most traffic problems are caused by a lack of communications between different groups of road users and that, using new technology, traffic systems could be re-designed to provide virtually accident-free private transport, flowing smoothly and with much-improved economy and environmental acceptability.

Dr Hornig's idea was that Prometheus should co-ordinate the necessary individual areas of basic research on a non-competitive basis, but that the research would be converted into technical solutions by the companies involved on a competitive basis.

Three main threads of research were identified:

● The development of a car which could be controlled by computers, allowing the driver to switch to fully automatic at low speeds;

● A communications network between vehicles;

● The guidance system.

Two years on, Prometheus is looking somewhat different, but mainly in its detail. The broad intention has emerged to at least halve road deaths in Europe, currently about 50,000 a year, by the end of the century.

The prospect of total control being taken from a driver under some circumstances on specially-prepared highways looks like being moderated considerably as a result of the various study groups examining the issues involved more closely.

Intervention is now seen as probably being confined to "crisis" situations: automatic braking if the distances between vehicles become too short, for example. Even here, some of the study groups admit, there will have to be care to avoid "Big Brother" connotations.

The steering committee of Prometheus is made up of 12 European vehicle producers (the US multi-nationals are excluded), having been reduced from 13 last year when the UK's Rover Group decided to withdraw from the project to concentrate on its own research and development needs. The UK initiative is thus left with Jaguar and Rolls-Royce.

The committee now believes that the first commercial spin-offs from the basic research could come as early as 1990, with the automatic guidance system being among the front-runners.

The UK's Autoguide project uses equipment developed by several electronics concerns and involves communication between roadside beacons and transmitter/receivers mounted within vehicles.

Broadly similar systems are also undergoing trials on the Continent, with Siemens of West Germany, in particular, well advanced with an infra-red system which can exchange up to eight kilobytes of information between vehicle and beacon at any given time.

In the UK, the Department of Transport has estimated that a system for use within the M25 motorway could be operating in the early 1990s at a cost of about £20m.

Makers of system equipment would recoup their investment through subscriptions from users, while makers of in-car units could expect about £150 per unit, or £50m based on 400,000 initial users.

On that basis, the potential for a Europe-wide, and possibly even world-wide, system is self-evident, creating a market in which a group of manufacturers could share profitably, given clear common standards for equipment.

The capabilities of Autoguide and similar systems extend well beyond simple routing. Take, for example, a British businessman or woman driving, say, a Jaguar XJ6 to see several contacts scattered around West Germany (enough to justify driving rather than using aircraft and taxis).

Using the eight-kilobyte technology, the driver would be able to communicate to the direction beacon that he was much more interested in time, rather than distance saving - so could the system please come up with a fast route currently carrying little traffic, even it was not the most direct?

In the absence of input involving specific requests, the system itself would be expected automatically to monitor traffic densities and offer the most efficient route in the event, say, of an accident on the most obvious one.

Given a fully-developed system, it is also expected that the busy executive will be able to jump into his car in the morning and be told as a matter of course either that the normal route to the office is clear, or that there are a few bottlenecks, so why not take this recommended route instead?

Though demand for the system has yet to be established, there are already some pointers, including one or two unexpected ones. When the Autoguide concept was first cautiously formulated in the UK, some Department of Transport and Transport and Road research Laboratory scientists had dinner with a group of perceived opinion-formers to canvass their reactions.

They were somewhat astonished to be told by a banker that he would be prepared to pay £2,000 for such a system. It would be worth it, he declared, if it could end marriage-threatening fights over maps in lay-bys.

John Griffiths

The convenience of phoning during a journey makes the working day more productive

Improved equipment has transformed the car into a time-saving mobile office

New systems change life on the road

"AS FAR as I am concerned, the car is the office," says Ian Hamilton-Fazey, the Financial Times' Northern Correspondent.

Mr Hamilton-Fazey is one of an increasingly large number of people who have taken advantage of advances in mobile communications aimed at business users. In writing about the North, the North-West and Yorkshire and Humberside, he has to drive about 25,000 miles a year and, before he turned his car into a mobile office, found that much of his day was unproductive.

While he was on the road, he could not make or receive phone calls from his contacts. And, whenever he wanted to file a story, he had first to find a call box and dictate the story through to the copytakers. Quite apart from the fact that it was often difficult to find a call box that was working, the whole process was laborious.

He also had to make time-consuming journeys between his home in Liverpool and office in Manchester to collect documents or press releases that were vital for writing his stories.

The installation of four pieces of electronic equipment: a cellular phone, a portable computer and two faxes - has revolutionised his working day and improved his productivity.

The technology and marketing are developing so quickly that many things impossible only a few years ago are now viable or soon will be

The cellular phone allows him to keep in touch with his contacts even when on the move. The portable computer enables stories to be filed electronically. And the installation of faxes at home and at his office means he has been able to cut down the number of trips he needs to make between the two places and saved 8,000 miles in travelling each year.

Even so, Mr Hamilton-Fazey's system does not work perfectly. He cannot send his stories from his mobile phone to the Financial Times' computer system. He either has to send a telex or he has to find a stationary phone to send his story from.

Nevertheless, the technology and marketing of mobile communications is developing so quickly that many things which were impossible or uneconomic only a few years ago are now viable or will soon be.

Later this month, for example, Comsolve International, a Brighton-based telecommunications marketing company, will be launching what it claims as the first office in a briefcase. For £1,500, customers will be able to buy a Samsonite brief-case, inside which will be a Cambridge Computer Z88 laptop, an A4 inkjet printer and an intelligent communications controller. Customers will have to provide their own cell phone to plug into the system.

Although not exactly chic - and therefore not a gadget for the high-powered yuppie executive - Comsolve's office in a briefcase could well be an attractive business tool for field sales forces such as computer service engineers.

Comsolve's managing director, Mr Phil Hawes, argues that it will be particularly useful for travelling financial services salesmen who now have to comply with the Financial Services Act's provisions requiring them to give their customers "best advice." In some cases, this means having satisfied themselves that there is no other product on the market that meets the customer's needs better than that which they are advising.

Being able, for example, to access their firm's central computer remotely to check all the available life policies, will enable them to act within the law.

On the same lines - but more upmarket - is the office in a car. For £8,000 (on top of the cost of the vehicle), you can buy from Mobile Management Systems an electronic office mounted in a Renault Espace. The package includes an IBM-compatible computer, mini-printer, TV, mobile phone and dictating machine.

Continuing the miniaturisation which is one of the hallmarks of the electronics industry, Sentra this month launched what it claims is the UK's first "truly portable" fax - the Micrafax. What Sentra means by truly portable is a machine weighing 4.1kg. It retails for £1,099.

And in a move which should eventually pave the way for the office in the aircraft, British Telecom and Racal completed Europe's first successful satellite phone call from mid-air - also this month. The system, known as Skyphone, has been designed primarily for voice traffic though it is planned to extended it to fax and data transmissions.

Mobile communications are far more susceptible to fading, hums and glitches - which can ruin data transmission

According to Ian Volans of Racal Vodafone, one of the reasons that mobile data communications has not caught on as quickly as mobile voice communications is that the right technology has been slow arriving.

Although it is possible to connect a standard modem to a mobile phone, the chances of success when you are on the move are slim. Mobile communications are much more susceptible to fading, hums and glitches than their static counterparts and such interruptions can be disastrous in a data transmission, whereas in voice transmission they are simply an annoyance.

Vodafone's solution to this problem was to develop a data protocol called CDLC specifically for mobile transmission, and a number of modems that incorporate it. CDLC, Mr Volans says, improves the quality of transmission considerably.

Last year, Vodafone added to CDLC a new system call VMACS, which allows data to be transmitted with the use of a modem only at the sender's end - under the simple CDLC system modems were needed at both ends of the transmission. VMACS gives the user access to BT's packet-switch system, Istel's Infotrak, the Mercury 5000 network, IBM's Managed Network Service and a variety of computer systems.

Installing all the necessary equipment is still fairly expensive, but Mr Volans says that there is more and more use of the system. For example, a system has been installed recently by London's wheel-clamping operation so that van drivers can communicate back to HQ details of the cars they have clamped and where they are.

Sending data is said to be quicker than phoning through the information, and also less likely to lead to errors.

The next major development in mobile office technology is likely to be the demonstration of a secure mobile messaging system later this year by Hewlett-Packard and Racal. At the moment, mobile data transmission is particularly vulnerable to interception because the data is being sent over the radio waves.

Hewlett-Packard argues that security is important when increasing amounts of sensitive financial information are being sent from mobile offices. Its project, part of the UK government's Alvey programme, is intended to remedy this.

Hugo Dixon

A different approach to upmarket transport is offered by Renault whose £15,000 Espace "people carrier" is a highly-equipped vehicle with room to take large amounts of gear. The Quadra four-wheel drive version (above) now on the market provides a go-anywhere machine that has many leisure as well as work uses, taking the executive car beyond status.

Vehicle security

Thefts 'tip of the iceberg'

THEFT OF, and from, cars in the UK has become economically damaging to the business sector because of its sheer volume.

Officially, just under 500,000 cars were stolen during 1986, the most recent year for which full statistics are available. Goods were stolen from a further 600,000.

The police clear-up rate was 18 per cent. And, according to Mr Freddie Aldous, president of the British Vehicle Rental and Leasing Association, the official figures may be only "the tip of the iceberg," with huge numbers of thefts from cars going unreported.

The clear-up rate, according to Mr Aldous, "is no indictment of the police as they simply do not have the manpower to cope with this plague. Indeed, I sense depair among senior police that the clear-up rate will ever get better."

The severity of the problem, not least in the relentless driving-up of vehicle insurance premiums, has reached the point where the BVRLA, whose members buy about one in four of the new cars sold each year in the UK, has launched an initiative of its own aimed at tackling it.

It takes the form of what is to be an annnual anti-theft award for manufacturers adjudged to have done most in the field of vehicle security.

Vauxhall was this year's winner. But the announcement was coupled with a warning that the overall rate of progress on security was "exceptionally slow" and that the BVRLA might in future name manufacturers regarded as dragging their feet on the issue.

"They have a moral duty to the car-buying public ...to make cars less easy to steal," says Mr Aldous, who is also chairman of the Trustee Savings Banks-owned Swan National vehicle leasing and rentals group.

His remarks echo the sentiments of several police reports on the subject which in the past have been critical of many manufacturers' approach to the issue.

Vauxhall's award was for a mix of anti-theft measures, including a system of deadlocks, audio-visual alarms and coded radios (rendered useless if they are removed from the car to which it was first fitted). It followed by a few weeks an announcement by Porsche Cars (GB), the wholly-owned UK importer, that it was to fit door deadlocks and ultrasonic alarms to its cars in the wake of the latest police report highlighting the ease with which most cars can be broken into.

The West German-built sports cars - Mercedes and BMWs and Jaguars are among the prime targets of "steal-to-order" professional car theft rings. Many of the most expensive vehicles are resprayed, otherwise disguised and on their way to overseas markets within a few hours of being stolen.

The apparent slowness of vehicle manufacturers themselves in coming up with effective anti-theft solutions has spawned a thriving after-market in the sector.

Anti-theft measures built into new cars, such as better door locks, help to improve security

Approaches vary considerably. The Autoglass group sprang into *life* in the early 1980s with a package in which existing vehicle owners could have all the glass panels etched with the vehicle's registration number, it being hopelessly uneconomical for thieves to replace the glass itself.

The concept has since been broadened to many dealers carrying out the etching before delivery, with the details of the car being entered on a computerised databank so that future purchasers of the vehicle can easily check its bona fides.

One of the most popular measures remains the car alarm, partly on the grounds of relatively low cost, which for as little as £100 or so use a sensor, or sensors in the case of more expensive units, to detect interference with parts of the car not subject to casual contact, externally, internally or both.

The trouble is, according to one aftermarket competitor, Ital Audio, many owners forget to activate the system, or even to lock the car, on leaving it.

Ital's Cobra Goldline system is claimed to arm itself automatically - by switching on an ultrasonic scanner which continuously sweeps the car interior - and sounding a warning blast within 10 seconds of the owner attempting to leave.

The owner, pulled up short maybe 20 yards away, then has only to aim the key-fob transmitter to which his ignition keys are attached at the car and the alarm system locks the door and closes the windows and sunroof. The entire system is disarmed by pressing a second button on the radio key.

The seeming decline of terrorism inside Europe, but its growth elsewhere, has produced a flourishing business in the form of companies building cars to protect the occupants or prevent their abduction.

Thus only at the end of last year Protected Cars Nederland NV, a Dutch-based group specialising in secure cars, launched a specifically anti-kidnap model based on the Volvo 760GLE saloon, and now being extended to other manufacturers' cars.

The anti-kidnap Volvo is aimed at repelling intruders rather than, as with most of the protected car business, armour-plating against weapons attack.

Its glass is designed to withstand 90 seconds of repeated blows from a cleaver; the doors, modified to take pin-locks, can be locked electrically from any seat; there is an interior-to-exterior intercom, automatic fire extinguisher system and an anti-gas air filtrations system.

Anti-kidnap and armoured vehicles, not unnaturally, can increase the base vehicle's cost by two or three times.

The Geneva Motor Show is a prime showcase for such vehicles, the manufacturers of which include Hess and Eisenhardt of the US, armourers of US presidential vehicles since the days of Roosevelt and which produce up to 400 secure vehicles a year.

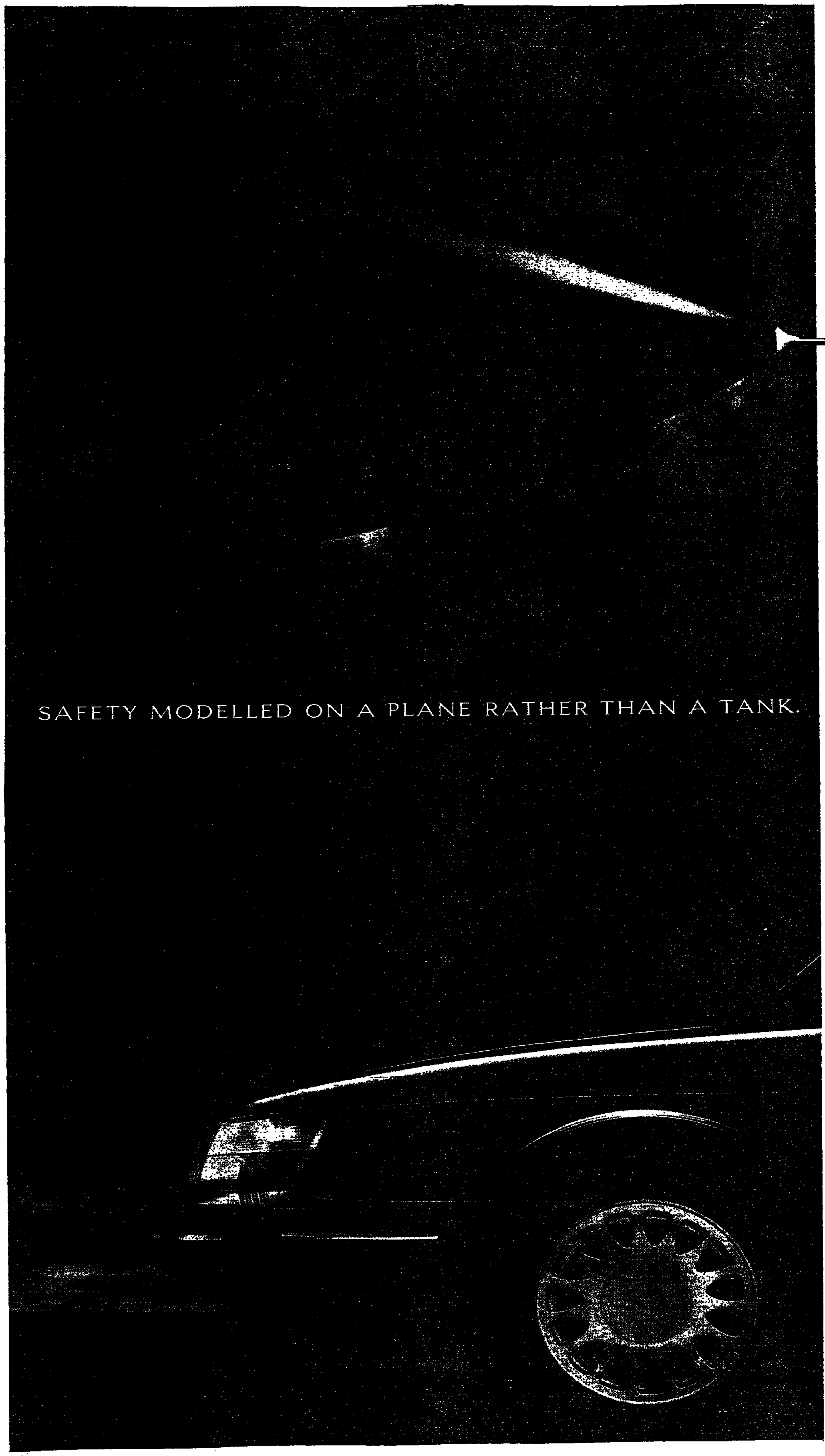
Among European operators, both Mercedes and BMW have their own armouring operations, while independents include Trasco International, based in Switzerland, which specialises in stretching as well as armouring Mercedes and BMWs at a works in West Germany.

They cater to a market worldwide estimated at about 1,000 units a year for heads of state and senior politics figures alone, quite apart from security-conscious industrialists and other private individuals.

Defeating rifle and handgun bullets is merely a basic requirement for such vehicles. Specifications of individual vehicles in most cases remain a closely-kept secret between manufacturer and purchaser.

But, to quote just two examples, the ability to start such cars by remote control, and to lay down an anti-pursuit smokescreen, are now much more than figments of James Bond-style imagination.

John Griffiths



SAAB SCANIA

THE AIRCRAFT MANUFACTURER

At the beginning of the century, aeroplanes pioneered the use of safety belts.

Not surprisingly, when Saab turned from just making aeroplanes it was natural for them to become the first to fit seat belts as standard to their cars.

And as aeroplanes developed the disc brake, so Saab borrowed features like diagonally split brake systems for the road.

Saab's list of firsts in passenger and driver safety is impressive. Indeed it's one of the main reasons Sweden has earned such a formidable reputation for making safe cars.

However, the real safety benefits from an aircraft influence go beyond the protective steel shell and crumple zones, the reinforced roof pillars, bumpers and doors. Because in aircraft parlance, active avoidance is better than passive survival. For the Saab driver as for the Saab pilot, handling, turn-in, braking balance and driver feed-back are essential.

At Saab, design will never be just a response to legislation or fashion.

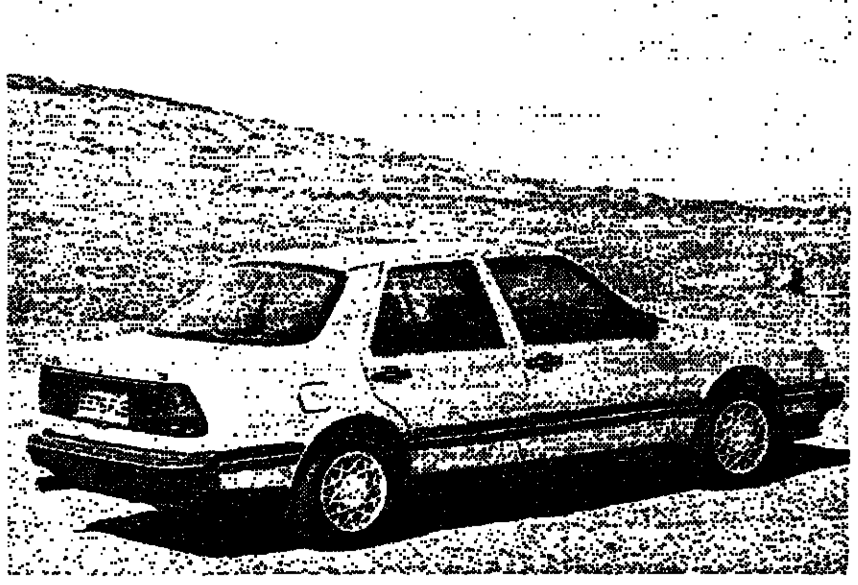
It is an integral part of making cars that last. And that reputation was earned by putting safety first.

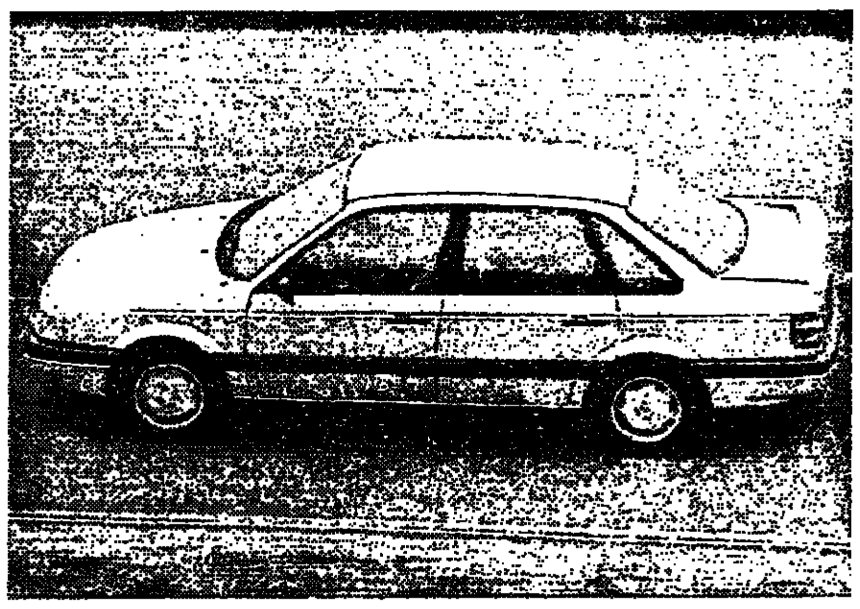
SAAB

For further information and/or a test drive call (0800) 626556 or write to FREEPOST SAAB, Stratford-upon-Avon, Warwicks CV37 0BR. Export enquiries 01-409 0990. Saab range starts at £10,250. Car featured Saab 9000 Turbo from £13,650. Prices current at time of going to press, exclude delivery, road tax and number plates.

This year's vehicles are tested by Stuart Marshall

Magic-carpet comfort of a BMW





Luxury models. Left: the new BMW 5-Series - "their ride/handling compromise approaches perfection"; top left: the Saab 9000 CDE, which costs about £25,000; above: the Volkswagen Passat - "refined performance"; right: the Jaguar XJ6 3.6 - "no car can equal its ability to suppress road-induced noise"

WHEN THE Executive Car of the Year is chosen, there can be little doubt about the winner. The seven-model BMW 5-Series, newly-arrived in Britain, has everything a business motorist in the under-£16,000 to £25,000-plus class could require.

There is just one body – a four-door saloon styled with understated elegance – and a choice of four in-line six-cylinder engines, from a 2 litre producing 129 bhp to a 211 bhp 3.5 litre.

The new cars are closer to being 7-Series BMWs on a slightly smaller scale than developments of the former 5-Series. Even the least powerful 520i has a top speed of more than 125 mph (201kmh), though this is less important to all but German autobahn users than the massive torque (pulling power) available at relatively low engine revolutions.

A five-speed manual transmission is standard but most British buyers will prefer the four-speed automatic with an overdrive top gear and fuel-saving mechanical lock-up. The new 5-Series cars have a longer wheelbase and wider track than before. Their ride/handling compromise approaches perfection.

For senior management, the 5-litre, V12-engined 750iL which carried me to Geneva and back in magic-carpet comfort and relaxation, is one of the world's best large cars at the moment. Held down to the sort of speed that does not attract too much attention from the autoroute police, it returned a remarkable 21.9 mpg (12.9 litres/100kms)

The only cars with which the BMW 750iL can be compared are the V8-engined Mercedes S-Class and the Bentley Eight, both of which are longer in the tooth, costlier and cannot quite match the BMW's ride comfort.

A Daimler Double Six is far cheaper but much smaller inside – it is based on the old XJ6 Jaguar. There is still no car that can equal the Jaguar's ability to suppress road-induced noise, and its internal ambience, like that of a Rolls-Royce, is a breath of Old England.

The Rover 800 series spans a wide price range – from £11,995 for the 2-litre, carburetter version 820 fastback to £21,893 for the very-highly specified Sterling saloon. I find them most agreeable to drive, with low levels of wind, mechanical and road noise. They feel like proper British cars of quality, despite their Anglo-Japanese provenance.

From a different branch of the family, the Range Rover is now mainly bought as a roomy, road-going car substitute. The latest Vogue SE automatic, at a drive-away price of more than £27,500, is closer in character to a high-slung Jaguar than an on-off road vehicle with permanent four-wheel drive and the ability to climb mountains.

Saab's bid for a larger share of the luxury executive sector is concentrated on the recently-introduced 9000 CD and CDE saloons costing up to £26,295. The new cars are motorway mile-eaters but the 2-litre, 4-cylinder, 16-valve turbocharged and inter-cooled engine can sound hard-worked when driven briskly on hilly, winding roads.

Though handicapped by an unrealistically small boot, the exquisitely-styled Audi 90 is a leader among the smaller executive saloons. The five-cylinder, 2-litre or 2.2 litre engines put it in a different performance class from the equally beautiful but somewhat lacklustre 1.8 litre, four-cylinder 80.

A 90 quattro, with permanent four-wheel drive and ABS brakes, takes uncommonly good care of the driver who has to keep going regardless of weather conditions.

The more I use cars with all-wheel drive, the more I am convinced of the safety benefits when grip between tyre contact patch and road surface is reduced by snow, ice and rain.

The Audi quattro models, Ford's Sierra and Granada (Scorpio) 4x4s, the Lancia Integrale, Mercedes-Benz 300 with 4MATIC transmission and the growing number of Japanese cars like the Toyota Celica GT-4 and Camry GLi4WD transform winter driving. Without any special skills, a driver can keep going when most other cars come to a stop or slide uncontrollably on corners.

The rapid spread of permanently-engaged four-wheel drive is to be welcomed, provided it is used wisely. An insensitive and irresponsible driver will still come to grief in a 4x4 or, for that matter, a car equipped with ABS brakes.

Both systems can only maximise tyre grip: demand more than they can give and loss of control is inevitable.

Many more high-performance executive-class cars from such makers as Peugeot, Citroen and Volkswagen will become available with four-wheel drive in the next year. Among them is the Volkswagen Passat, which VW hopes will make as big an impact in the medium-size sector as the Golf has in the next-lower class.

The Passat, powered by eight or 16-valve versions of the renowned VW 1.8 litre engine, is an impressive car, with efficient aerodynamics, generous interior and luggage space and refined performance.

With the eight-valve engine and a full load, frequent gear changing is called for on a undulating route. The 16-valve version is considerably more muscular and encourages a driver to exploit the Passat's admirable handling and roadholding.

Despite signs of an impending high-technology crackdown on drivers who flagrantly exceed speed limits, many executive car buyers continue to demand high potential performance even if they will never use it. The car makers oblige and list very high maximum speeds among the benefits offered by their vehicles.

There are many modestly priced and practical business cars which will attain or exceed 130 mph (209kmh) on offer. Among them are the Citroen BXGTi and the GTi16V, which will outrun most hot hatchbacks yet has four passenger doors, lavish luggage space and comprehensive equipment.

They cost between £11,000 and £13,000 and are thrilling to drive.

The British-built Nissan Bluebird Executive, with a turbo-charged 1.8 litre engine, luxury appointments including leather trim and a drive-away price of about £14,000, is rapid though refined on the motorway, energetic off it. The same may be said of the large Fiat Croma Turbo (£15,000) and its up-market close relative, the Lancia Thema LX Turbo at about £17,500, and the £16,500 Renault 21 Turbo.

They do, however, bear watching in the wet lest they misbehave under hard acceleration in the lower gears. It is asking a lot of a pair of tyres to put 185 horse-power or more on to the road while steering the car, hence the attraction of four-wheel drive.

Rear-wheel drive is better able to handle high power-to-weight ratios because practically all of the tyre grip can be used to provide traction. Thus the exceedingly fast 201 bhp Ford Sierra Cosworth RS500 four-door saloon shows less need for all-wheel drive on wet and winding roads than, say, a 182 horse-power, front-wheel driven Renault 25.

For this reason, Audi has dropped front-wheel drive for its forthcoming flagship, the 200 V8, which will have only quattro transmission.

Japan continues to take a technological lead. Four-wheel steering gives the Honda Prelude and one Mazda 626 model tidier handling and a feeling of greater stability at high speeds, plus enhanced manoeuvrability in town.

The Honda Legend, a close relative of the Rover 800, is an attractive car with a less traditional kind of interior and the Legend coupe is for those who like a two-door car with far more interior space than the Prelude.

The new Mitsubishi Galant 2000 Turbo impresses as a refined and rapid package, with a hint of Mercedes about its styling. The Japanese makers do not attempt to disguise their admiration for the German executive car as they move their own cars up-market. The Toyota Camry GLi 4WD saloon, for example, has permanently engaged all-wheel drive and could be considered as an Audi quattro alternative at a lower price.

Vauxhall (Opel on mainland Europe) is marking time in the medium-sized sector, awaiting the arrival this autumn of the Cavalier replacement. Its six-cylinder Senator is a handsome car with exceptional ride comfort and impeccable road manners.

Volvo's 760 saloons have been subtly restyled and fitted with independent rear suspension. I see them as Ford Granada rivals in the main, with very large boots instead of tailgates.

Efforts to compete

Continued from page 1

prompted a round of price increases.

These met with resistance from consumers and, together with the uncertainties created by the stock market crash, combined to produce a 13.7 per cent drop in European car sales for the year as a whole, compared with a drop of only 10.7 per cent for the US new car market as a whole.

The larger, more affluent of the specialist producers such as Mercedes and BMW - each of which produces more than half a million cars a year - are fairly well placed to withstand such setbacks (even Mercedes has decided to make a token cut in its production this year).

But the US situation has produced a sharp reminder for smaller companies, such as Jaguar and Porsche, that executive and luxury sports car manufacturing remains a volatile and risky business if total output is in the order of 50,000 units a year or less.

Jaguar, which sold 23,000 cars in the US last year - half its total output - has not itself cut back production. But it has seen its profitability fall sharply.

From £120m in 1986 profits fell, at the pre-tax level, to £97m last year. At Nomura Research Institute, Mr John Lawson expects a further fall, to £79m this year and to as low as £59m in 1989.

The company, which is working hard to lessen its dependence on the US by spreading sales more evenly throughout the world, has also been obliged to trim back its investment programme this year, by some £20m to £120m.

One consolation for Jaguar is that, during the first four months of the current year, it has been faring better in the US than its rivals. Sales were up 11.8 per cent on last year's four-month total compared with further drops of 27 per cent for Porsche, 24.4 per cent for Volvo and 7.4 per cent for Mercedes (only BMW, up 0.7 per cent and Saab, up 10.7, also put on sales).

But on all fronts, the competition can only get tougher. There are many new models in the pipeline not just from the volume makers, but the specialists themselves.

Among them, BMW will be adding an 8-Series coupe to its still-new 5-Series and 7-Series ranges, with complete renewal of its product line in the form of a new 3-Series range expected before the end of the decade, as are a new coupe and S-Class range from Mercedes.

There is, too, the looming possibility of a new generation of US-built cars from General Motors, Ford and Chrysler crossing the Atlantic eastwards in numbers for the first time in many years as a result of direct exports having been made much more attractive by the low dollar.

The true strength of the Japanese executive car challenge has yet to be seen in Europe but will certainly become apparent by 1992, by when the European Community is scheduled to have a harmonised internal market.

Against this background, DRI Europe, in its latest world automotive forecast, highlights several factors from which manufacturers might draw some reassurance.

Fears of a US recession and the potential knock-on effects for the global economy, it suggests, are being discounted by economic forecasters thanks to co-operative action by major governments to stimulate import demand, not least by Japan.

Even in Europe, there appears to be much less prospect of a pronounced cyclical downturn for macro-economic than might have been expected in the past, DRI points out.

But the really new factor, it suggests, lies in the recent emergence of what it sees as "a fundamental shift" in the financing of car purchases by Europeans.

The increased availability of consumer credit facilities from not just banks but retail finance houses, and even the car makers themselves, means that replacement cycles are becoming less and less significant, it argues - with the spread of leasing as another contributory factor.

As a result, DRI says: "It is now far less the case that vehicle replacement is delayed by a deterioration in economic conditions, given the much greater ability to defer actual payment into the future."